



# INVESTMENT PORTFOLIO GUIDE

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***JULY / 2006***

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## RECENT MARKET PERFORMANCE

Pricing Date: 06/30/06	Total Return					
	Ticker	Q to Date	YTD	1 Year	5 Year	10 Year
<b>Large Capitalization</b>						
S&P 500 INDEX	SPX	(1.44)	2.71	8.63	2.49	8.31
DOW JONES INDUS. AVG	INDU	0.94	5.23	11.09	3.43	9.13
NASDAQ 100 STOCK INDEX	NDQ	(7.44)	(4.04)	6.10	(2.67)	8.97
RUSSELL 1000 INDEX	RIY	(1.64)	2.82	9.18	3.18	8.53
S&P 100 INDEX	OEX	(0.84)	2.80	6.15	0.15	7.74
S&P 600 SMALLCAP INDEX	SML	(4.56)	7.70	13.94	11.07	11.79
<b>Small &amp; Mid Capitalization</b>						
NASDAQ COMPOSITE INDEX	CCMP	(7.01)	(1.08)	6.48	0.66	6.70
RUSSELL 2000 INDEX	RTY	(4.98)	8.28	14.68	8.59	9.12
S&P 400 MIDCAP INDEX	MID	(3.15)	4.24	12.99	9.29	13.81
<b>Growth &amp; Value</b>						
RUSSELL 1000 GROWTH INDX	RLG	(3.87)	(0.88)	6.17	(0.96)	4.88
RUSSELL 1000 VALUE INDEX	RLV	0.60	6.65	12.25	6.18	9.27
S&P 500/BARRA VALUE INDX	IVX	0.62	6.54	12.66	4.26	9.20
S&P 500/CITIGRP GRW CME	IGX	(3.46)	(0.93)	2.71	(1.56)	6.47
<b>Broad Market</b>						
NYSE COMPOSITE INDEX	NYA	0.03	6.77	15.90	6.11	8.81
RUSSELL 3000 INDEX	RAY	(1.96)	3.30	9.66	3.55	8.50
S&P 1500 SUPERCOMPOSITE	SPR	(1.71)	3.07	9.27	3.34	8.77
<b>Global Indices</b>						
S&P 100 INDEX EUROPEAN	XEO	(0.84)	2.80	6.15	(0.41)	6.69
MSCI EAFE	MXEA	0.97	10.56	27.18	10.60	5.89
MSCI WORLD	MXWO	(0.31)	6.40	17.56	6.17	6.49
<b>Bond Indices</b>						
Bloomberg/EFFAS Bond Indices U	USGATR	(0.06)	(1.25)	(1.83)	4.89	6.03
Bloomberg/EFFAS Bond Indices U	USG5TR	(1.24)	(4.81)	(6.78)	6.49	7.46

The second quarter of 2006 is now in the books. The major stock market indices gave back a good portion of their first-quarter gains in the second quarter. However, mega-cap stocks (represented in the accompanying chart by the S&P 100) held up better than small-cap and mid-cap stocks — as well as stocks from emerging markets. Still, small-caps continue to lead large-caps for the year-to-date. Bond indices continued to slip in the quarter.

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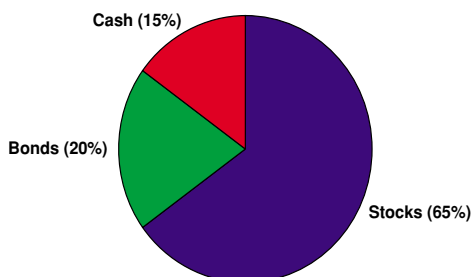
# ASSET ALLOCATION MODELS

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## TACTICAL

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### ASSET ALLOCATION



Our Asset Allocation recommendations address the two types of allocation decisions: Tactical and Strategic.

Our Tactical Asset Allocation model now calls for a 65% allocation to stocks, 20% to bonds and 15% to cash. Our fundamental 12-month range for the S&P 500 in 2005 is 1,200-1,450 with a target of 1,400.

We expect a Fed Funds rate of at least 5.5% before the Fed pauses. Inflation measures have been somewhat mixed of late, but we still believe that stubbornly high energy prices and tighter labor markets will force the Fed's hand. We expect the 10-year yield to trade over the next 12 months in a range from 4.75%-5.75%.

Compared the rest of the Street, our model is essentially average. According to the Wall Street Journal, the average allocation to stocks by other major Wall Street firms is roughly 70%.

To determine our weightings, we use a matrix that incorporates the following market measures:

- Our Fair Value Model
- The Equity Risk Premium, including our projections of market returns
- S&P 500 PEG Ratio, including our projection of long-term EPS growth
- Analysts' Earnings Expectations
- S&P 500 Trendline Analysis
- The Volatility Index
- Investment Advisor Sentiment Survey
- The Stock/Bond Yield Gap
- Our Economics Department's U.S. Gross Domestic Product Forecasts
- Consumer Price Index Trends.

The output from the matrix maps to a 100-point scale, which we then have mapped to equity weighting ranges. Once our 10-point matrix gives the equity recommendation, we then use the bottom three points to devise bond and cash allocations. We run the matrix model monthly.

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## STRATEGIC

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Our Strategic Asset Allocation models — for Conservative, Balanced and Aggressive accounts — are designed for use with an investor's individual Investment Policy Statement. Thus, the models integrate an investor's time horizon, liquidity needs, tax considerations, legal and regulatory requirements (for trusts) and special situations, with desired returns and risk tolerance levels.

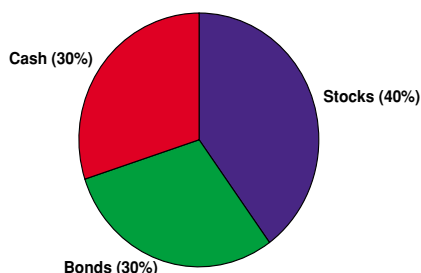
For conservative accounts — in which investors seek current income and stability, as well as the potential for a modest increase in the value of the portfolio over time — our strategic asset allocation model calls for 40% stocks, 30% bonds and 30% cash. For balanced accounts — in which goals are for capital appreciation but at a risk level below that of the stock market — our model calls for 60% stocks, 20% bonds and 20% cash. For aggressive accounts — in which goals are

for good growth potential though with a higher degree of risk — our strategic asset allocation model calls for 80% stocks, 10% bonds and 10% cash.

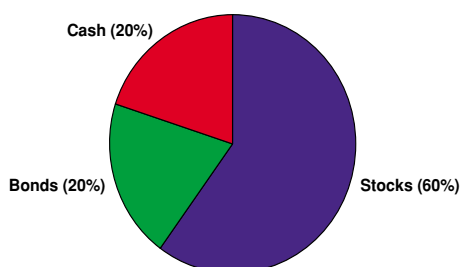
We recommend that individual investors check and rebalance their strategic asset allocation percentages at least annually, or more often as specific needs may dictate. During these reviews, clients may want to integrate the timely advice from the Tactical Asset Allocation model to shade their portfolio weightings.

Our Asset Allocation Models can be linked easily with other reports and tools, such as our industry weighting models, our Fixed Income Strategy Report and our stock recommendations. Clients seeking specific fixed income ideas are encouraged to review our Utility stock picks and our Preferred Stock and Corporate Bond Lists in the Fixed Income Strategy Report.

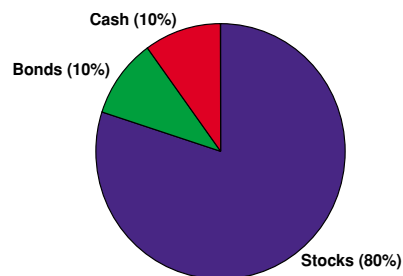
### CONSERVATIVE



### BALANCED



### AGGRESSIVE



# STOCK MARKET VALUATION MODELS

These charts offer insight into the valuation of stocks. The Argus Fair Value Premium & Discounts chart is based on traditional valuation that incorporates prospects for growth and risk.

Growth is expressed in terms of the S&P 500 operating profits. In 2004, earnings grew by 20.4%, on top of 18.4% growth in 2003, or still well above the long-term average of 7%. For 2005, growth slowed to about 16%, still well above the long-term annual average of 7%-8%. In 2006, we expect about 11.9% EPS growth. Our 2006 EPS forecast is \$87. Our 2007 EPS forecast is \$93, representing 6.9% growth.

Despite pressure from higher energy prices and higher short-term interest rates, the net margin of the S&P 500 (ex one-time items) has been running in the 9% range for the past several quarters (near all-time highs), while revenue growth has run at 10%-13%. Revenue growth was about 12% in the first quarter of 2006, though most sectors outside of Energy are posting revenue growth in the single-digits. Profit margins continue to benefit from historically low interest costs and from relatively strong productivity growth.

Over the next two years, we expect that revenue growth will slip to a still-strong 9%-10% rate, with the net profit margin falling from its cyclical peak to the 8.50%-8.75% range.

Our five-year EPS forecast for the market is 8% using 2005 as our base year. When combined with the market's 2% dividend yield, this indicates total expected returns from stocks of 10% per year on average over the next five years. Dividend payouts are growing, so yields are rising — and not just because of lower stock prices. Still, the current

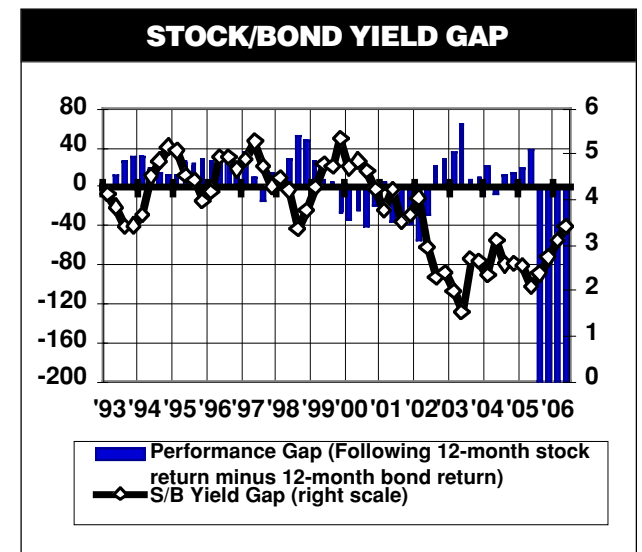
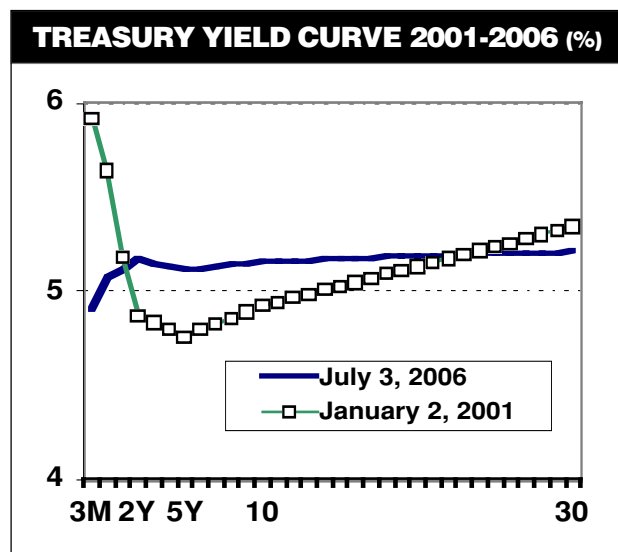
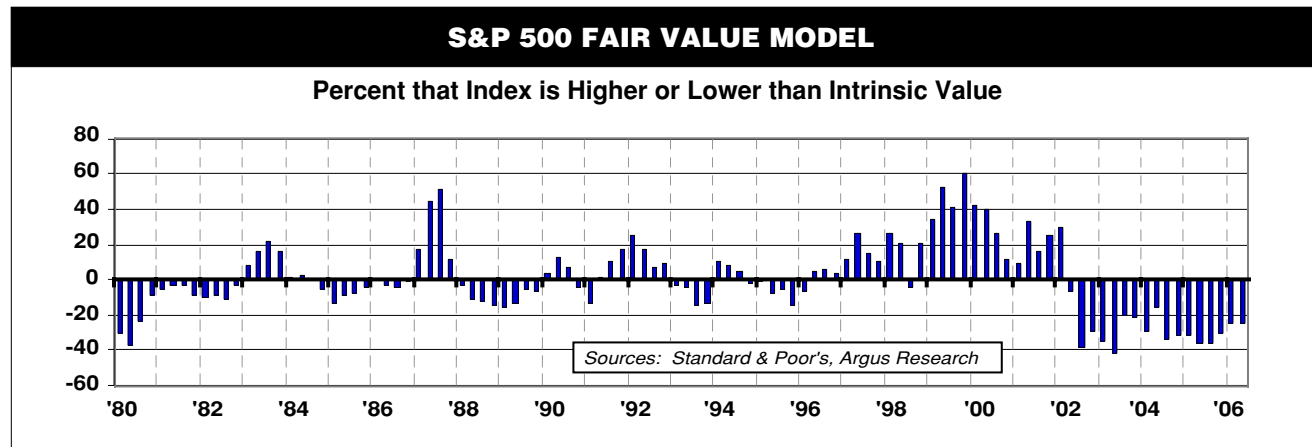
yield of 1.8% is well below the 3.25% average for the market since 1960.

Risks to investing are addressed through the "fair value" market multiple, the inverse of the government long bond. By early July, the yield on the 10-year note was about 5.2%. The current forward P/E is just less than 15, but our fair value model suggests a fair multiple of about 19-times forecasted earnings for the next 12 months.

Historically, investors are optimistic. Our analysis shows the S&P 500 has traded at an average premium to fair value of about 4%. The normal range extends from an 18% premium to fair value to a 10% discount. In 2000, the S&P 500 was substantially outside of this range. The current reading indicates a well above-average 23% discount although this is down from the 30%+ readings that have prevailed for much of the past three years. Still, historically low interest rates have tended to skew the results of this model.

The second model plots the bond-stock yield gap, measuring the difference between bond and stock yields. The closer the gap is to zero, the more attractive equities appear relative to bonds. A gap below 400 basis points tends to indicate that stocks will outperform bonds over the next 12 months. The current reading is 341 basis points, up from just 200 basis points in the second quarter of 2005.

The third model is the yield curve. Interest rates are important in valuing equities because they affect the economy, a company's cost of capital, and the discount rate that growth investors are willing to place on future earnings streams.



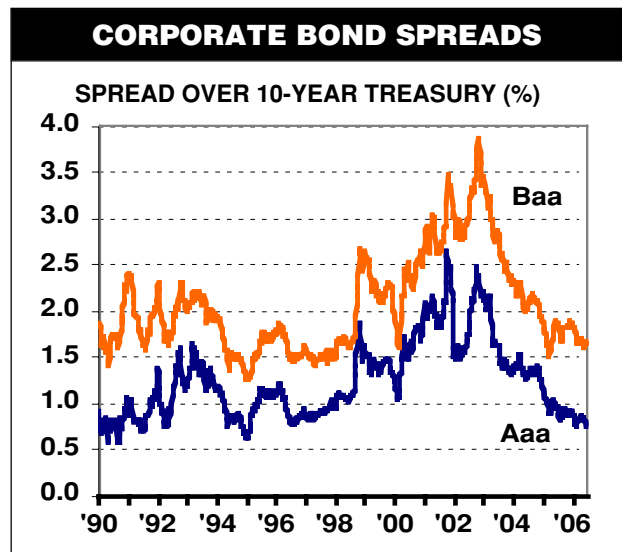
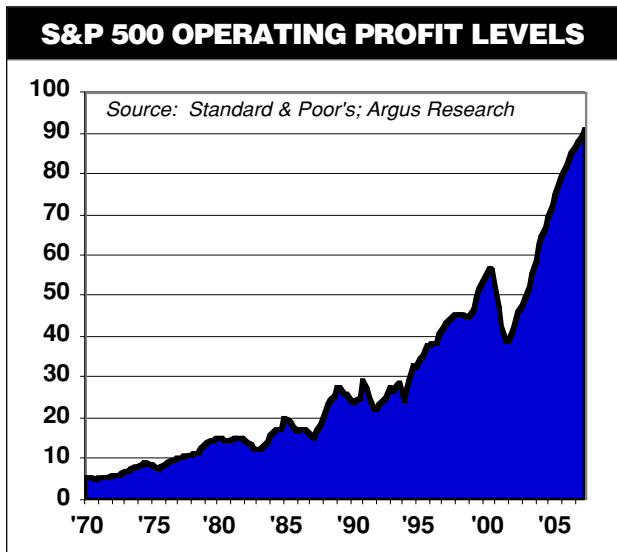
## CORPORATE EARNINGS TRENDS

The following graphics offer insight into corporate profit trends. The first displays historical levels of S&P 500 operating profits. From a recent peak of close to \$57, profits bottomed at about \$46. We look for solid, yet slower, growth over the next few quarters. Earnings hit yet another new peak in 2005. We expect slightly slower revenue growth and a slightly lower operating profit margin to drive 11.9% earnings growth in 2006, to \$87 per share. We expect earnings of \$93 per share in 2007, about 6.9% growth over our 2006 estimate.

The second chart displays our quarterly EPS growth rate estimates for the broad S&P 500. We use a blended top-down and bottom-up approach for our forecasts. From the top, we are plotting trends by industry, and from the bottom, we are identifying and summing earnings and forecasts for each of

the index components.

The third chart offers a reality check on corporations: the view from the bond market. The chart shows the spreads between government bond yields, triple-AAA corporates and lower-rates (but still investment-grade) Baa corporates. If spreads are widening in the fixed-income arena, then bond investors are not too optimistic about corporate earnings trends. Lately, spreads have been widening across the range of bond maturities and risk profiles. This suggests that investors are less confident in corporate balance sheets and have more fear of default. Higher spreads generally mean higher credit costs and lower profit margins, a bearish trend for the stock market. Downgrades of auto company bonds drove this widening recently, though spreads have narrowed somewhat since.



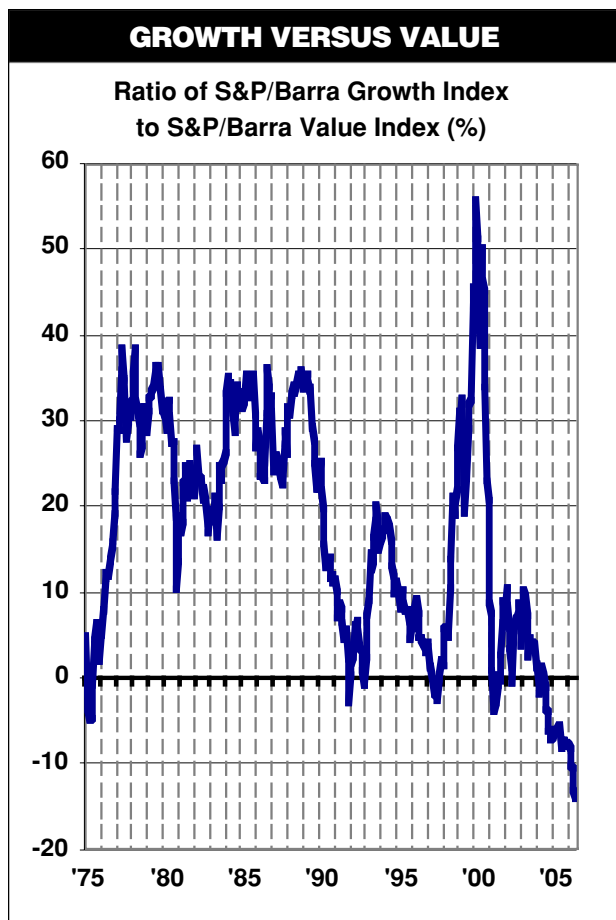
## STYLE ANALYSIS

Over time, the returns from growth investing and value investing, remarkably, tend to even out – this according to our analysis of returns of the S&P/Barra Growth and Value Indexes (see chart below). However, on average, growth stocks tend to outperform value stocks, according to the indexes. We have developed a ratio that compares the growth index to the value index, and have found that the long-term average growth stock “premium” is about 20% to value stocks (the standard deviation is plus/minus 13 percentage points). But now, the growth indexes are trading roughly even with value indices. We think this condition will be temporary. Since value stocks are generally more rate sensitive, we think growth will lead if rates continue to rise.

Taking a look at the fundamentals, growth stocks are still more expensive than value stocks, with a trailing P/E ratio of 22 compared to 17; a price/sales ratio of 2.0 compared to 1.2; a price/free cash flow ratio of 23 compared to 14; and a dividend yield of 1.7% compared to 2.5%. The payoff is likely to come if earnings growth continues, though it will certainly decelerate from recent rates. The

implied growth rate for growth stocks is 17%, versus 8% for value stocks.

Small caps led the recovery off of the lows in March 2003 and continued to out-perform large-caps in 2004. However, small-caps and large-caps tracked more closely in 2005 and thus far in 2006. We have studied the relationship between the Russell 1000, which measures the performance of large-cap stocks, and the Russell 2000, which measures the performance of small-cap stocks. Over the past 10 years, the large-cap index has held an average 20% premium to the small-cap index (see chart). At the peak, in late 1999, the Russell 1000 was 60% higher than the Russell 2000. After some weak years for large-caps, however, that premium has turned into a discount of 7%. The valuation gap is also improving in favor of large-caps. Indeed, small-caps are now slightly more expensive on a P/E basis with a P/E of 21 for the S&P 600 versus 19 for the S&P 500. The price/sales ratio gap has also contracted, and is now 1.5-to-1.0 in favor of large-caps. The implied growth rates are similar, 13% for large-caps and 11% for small-caps.



## SECTOR ANALYSIS

As part of our industry research — the second step in the top-down process — we break down the S&P 500 into ten broad sectors, reflecting the major industries of the U.S. economy. The following tables sort and analyze metrics and trends.

<b>SECTOR PERFORMANCE</b>								
<i>Data as of June 30, 2006</i>								
Industry	12-Month Portfolio Strategy	Market Cap %	Market Cap % 5-Year Range	2005E Earnings %	Earnings % 5-Year Range	Performance		
						YTD 2006	2005	5 Yr.
<b>Financial Services</b>	Average	21.4%	15-21.7%	24.4%	15-29%	1.8%	3.7%	2.5%
<b>Healthcare</b>	Over	12.3%	9-16%	11.7%	8-14%	-4.6%	4.9%	-1.2%
<b>Technology</b>	Over	14.9%	14-34%	11.7%	8-18%	-6.2%	0.4%	-4.8%
<b>Consumer Discretionary</b>	Under	10.2%	10-14%	8.9%	9-16%	1.9%	-7.4%	0.3%
<b>Consumer Staples</b>	Average	9.6%	7-12%	9.1%	8-11%	3.3%	1.3%	3.5%
<b>Industrial</b>	Average	11.7%	7-12%	10.4%	11-15%	6.0%	0.4%	1.7%
<b>Energy</b>	Average	10.2%	5-10.3%	14.3%	5-14.3%	12.8%	29.1%	12.8%
<b>Telecom</b>	Average	3.3%	3-8%	3.1%	4-8%	11.8%	-9.0%	1.3%
<b>Utilities</b>	Under	3.4%	2-4%	3.2%	3-5%	2.6%	12.8%	-2.6%
<b>Basic Materials</b>	Average	3.1%	2-4%	3.3%	2-9%	5.7%	2.2%	7.8%
<b>S&amp;P 500</b>						1.8%	3.0%	0.7%

**Note:** Boldface indicates a change in strategy. Refer to sector commentary in this report for more details.  
 We review our sector recommendations each month. Our model considers recent performance, historical valuation metrics, recent earnings estimate trends, and our top-down forecasts. For balanced accounts with a long-term focus, we generally recommend sector weights within 250 basis points of the sector's market weight.

<b>SECTOR PEER ANALYSIS: FUNDAMENTALS</b>								
Industry	ForwardPERatio	AvgEstGrowth (%)	PegRatio	DivAnnRate	PriceSales	Beta	Debt/Cap	Yield
Basic Materials	18.87	9.33	2.02	0.92	1.82	1.38	40.77	2.29
Consumer Discretionary	9.03	13.06	0.69	0.59	1.94	1.10	34.76	1.85
Consumer Staples	19.95	9.83	2.03	0.91	1.36	0.85	52.24	2.37
Energy	15.45	12.53	1.23	1.38	2.63	1.12	33.77	3.09
Financial	15.62	9.26	1.69	1.35	3.91	0.98	57.19	3.34
Healthcare	22.73	17.00	1.34	0.60	32.48	1.03	30.65	1.48
Industrials	15.10	11.21	1.35	1.09	1.31	1.26	37.96	2.63
Technology	45.82	15.40	2.97	0.38	3.37	1.32	30.38	1.26
Telecommunications	19.12	7.55	2.53	1.08	2.11	0.99	55.57	4.49
Utility	16.76	5.70	2.94	1.48	1.19	0.86	63.37	4.18
<b>Grand Total:</b>	<b>21.01</b>	<b>11.99</b>	<b>1.75</b>	<b>1.07</b>	<b>5.68</b>	<b>1.11</b>	<b>42.11</b>	<b>2.78</b>

**As of 7/3/06**  
**Note:** Data reflects the Argus universe of coverage

## BASIC MATERIALS

### INVESTMENT STRATEGY

**MARKET-WEIGHT.** Commodities prices, which have climbed for most of 2006, have retreated lately. We believe that sector earnings growth may be peaking for this cycle. We expect the Basic Materials sector to show about 20% earnings growth in 2006, compared with about 22% growth in 2005. Strong demand continues for many industrial commodities, which bodes well for near-term revenue growth. But input costs continue to rise and, in our view, valuations are far from rock bottom. Overall, though, the sector accounts for just 3% of the S&P 500. For the long term, we recommend that investors focus on financially strong, globally positioned consolidator companies such as Praxair Inc. (PX), Inco Limited (N) or Vulcan Materials (VMC), as they benefit from economies of scale. As a strategy, investors might consider taking profits if the performance of an individual Basic Materials company spikes.

### EARNINGS OUTLOOK

For 2006, analysts expect about 23% earnings growth, after 2005 delivered about 22% growth. We expect the sector to deliver 20% growth in 2006.

### RISKS

High energy and feedstock costs continue to squeeze profit margins of Basic Materials companies. While we expect oil and natural gas prices to moderate from recent peaks, we still expect the overall range to be high compared to prior years. In our opinion, investors should focus on firms with a superior track record of cost containment.

In addition, several companies in the sector have exposure to asbestos and lead-paint litigation.

Currency devaluations are a constant threat for Basic Materials companies, as a large part of production has been outsourced to developing countries. In addition, most Basic Materials firms, especially in metals and mining, have projects based in foreign countries. As such, political risks are great.

### ITEMS TO WATCH

Capacity additions have not been a major issue yet. In fact, some companies, including Alcoa, Weyerhaeuser, and Lyondell, have been shutting some of their own capacity since the plants are too costly compared to new facilities.

Capacity utilization rates for lumber, paper, metals, and chemicals remain high. Utilization rates for chemical providers are approximately 92%, with the trend line rising. Lumber rates are stable in the 80%-85% range, with softer residential building rates becoming the norm. Overall, companies are not aggressively pursuing greenfield projects. They are first looking to eliminate bottlenecks and then toward modest capacity growth.

### OUR ANALYST'S ASSUMPTIONS:

- **GENERAL COMMODITY PRICES**  
Datapoint: DJ-AIG Commodity Futures Index  
Current: 175

### RESEARCH RATING DISTRIBUTION



Six-month forecast: Flat-slightly higher.

Why it's important: This broad index of commodity prices is up 5% year-to-date. Rising commodity prices could potentially trigger higher prices for finished goods, creating higher inflation in the U.S.

- **ETHYLENE**  
Datapoint: Price  
Recent: \$0.45-\$0.46 per pound contract, spot \$0.50-\$0.51

Forecast: \$0.50-\$0.53 by year-end 2006

Why it's important: Ethylene is an intermediate commodity chemical used to produce many byproducts. U.S. ethylene contracts continue to trend slightly higher, although European spot prices remain soft. We expect demand and pricing to remain favorable for the majority of 2006.

- **LUMBER**  
Datapoint: Futures  
Recent: \$324 per 1,000 board feet  
Six-month forecast: \$324-\$396 per 1,000 board feet (avg. \$360)

Why it's important: Lumber is the primary raw material in paper and a major component in the price of new residential and commercial construction. The record high price of \$474 per 1,000 board feet was set in August 2004.

- **GOLD**  
Datapoint: Price  
Current: \$629 per ounce  
Forecast: \$560-\$660 per ounce by the end of 2006 (avg. \$625)

Why it's important: The price of gold is historically correlated with inflation, and inversely correlated with the dollar. Over the past several years, gold prices have risen steadily as concerns intensified over terrorism, trade and budget deficits, oil prices, and weaker U.S. economic growth. Other metals prices have also risen sharply over the past year. Recently, investors have been buying gold as a hedge against inflation.

## CONSUMER DISCRETIONARY

### INVESTMENT STRATEGY

**UNDER-WEIGHT.** Consumer Discretionary is the “catch-all” sector of the S&P 500, with stocks representing almost 30 unique industries. Despite recent signs of slowing economic growth and higher inflation, stock prices in the sector have held up surprisingly well and multiples appear high compared to those in other sectors. In our view, Wall Street’s consensus earnings growth forecast for 2006 is high at 17%. We expect consumers to be more cautious with discretionary spending because of high gasoline prices and stagnant income growth.

### EARNINGS OUTLOOK

For 2006, analysts expect EPS to rise 17% after a flat performance in 2005.

### RISKS

Job gains will be a critical factor in consumers’ willingness to spend, given high oil prices and reduced fiscal and monetary stimulus. Over the last 12 months, the economy created an average of 163,000 non-farm jobs per month. That is a considerable improvement from the five-year average of about 42,000 per month. However, May was soft (+55K) and we expect a soft June report as well.

There is a belief that the U.S. has too many stores and many leading retail companies are looking overseas for growth. This adds a layer of risk to operations and execution, as economies in Japan and Europe remain fragile.

Higher home and utility costs have become an issue, and that could mean consumer discretionary spending will slow.

### ITEMS TO WATCH

High fuel prices remain a burden on household budgets.

The slope of the yield curve as measured by the yield gap between 10-year Treasury notes and 3-month bills suggests expectations for only modest economic growth.

### OUR ANALYST’S ASSUMPTIONS

- **SAME-STORE SALES**

Datapoint: Monthly same-store sales growth

Current: 2%-4%

Six-month forecast: 2%-4%

Why it’s important: On the first Thursday of each month, retailers report same-store sales figures, which reveal micro trends related to specific companies and shed light on larger macro trends. We are seeing better-than-average performances at upscale retailers, which, in our view, reflects higher gasoline prices being less of a burden on affluent consumers.

- **AUTO SALES**

Datapoint: Annual domestic sales forecast

Recent: 16.99 million autos sold in 2005

Forecast: 16.6-17.0 million for 2006

### RESEARCH RATING DISTRIBUTION



Why it’s important: Automobile manufacturing remains an important component of overall GDP – and the number of cars produced drives auto company profits, but also consumer spending. The all-time industry record was 17.4 million units in 2000, but that figure has not been above 17 million since 2001. We expect the U.S. market to be flat-to-slightly lower in 2006, with imports taking more market share from the domestics.

- **HOTEL REVENUE**

Datapoint: RevPAR (revenue per available room) growth

Recent: 7% growth

Forecast: 9% growth for the next six months

Why it’s important: RevPAR indicates the relative strength of various segments of the lodging industry. For example, higher corporate profits lead to increased business travel and higher RevPAR at mid-to-upscale hotels. Luxury hotels are typically late to recover from an industry downturn. Currently, with business travel on the rise, we favor companies focusing on the luxury segment. On the supply side, lodging companies that cut construction budgets following the 9/11 attacks are now building new hotels or expanding existing properties. We expect little supply growth until 2009.

- **ADVERTISING SALES GROWTH**

Datapoint: Total advertising sales growth

Recent: 5% in 2005

Forecast: 6% in 2006

Why it’s important: We think 2006 should be a better year than 2005, given Congressional midterm elections and the Winter Olympics. We continue to expect that the strongest growth will be delivered by the internet and cable network industries, while the newspaper, broadcast network and radio categories struggle to generate 2%-4% growth.

# CONSUMER STAPLES

## INVESTMENT STRATEGY

**MARKET-WEIGHT.** Wall Street forecasts call for the Consumer Staples sector to generate 2006 earning growth of 6.6%, in line with recent years. As the overall economy slows, we believe that the sector's generally steady growth will attract interest. Indeed, valuations in this sector tend to be higher than in other sectors because of its ability to deliver steady earnings growth across economic cycles. Today, however, the sector includes discount retailers that are more cyclical. In addition, consumers face numerous challenges.

## EARNINGS OUTLOOK

Wall Street forecasts call for the Consumer Staples sector to generate 2006 earning growth of 6.6%, compared with 2005 earnings growth of 7% growth.

## RISKS

Consumer-spending patterns have been volatile, as fluctuating fuel prices have impacted discretionary income. National brands remain vulnerable to private labels. The sector is susceptible to supplier threat, as Wal-Mart and Costco continue to gain dominance over retail distribution. Price wars may still erupt and heavy discounting in Europe continues. Rising medical and workers' compensation costs are increasing expenses for all firms. Inflation has been creeping higher.

## ITEMS TO WATCH

A stable-to-declining dollar is a favorable trend for this global industry. Long-term growth should be driven largely by population growth and new product introductions. We also think that interest in healthy foods increasingly will drive growth, although the low-carb craze has passed.

In the upcoming months, normal summer weather should provide a boost for beverage and snack suppliers.

Among household products firms, Colgate-Palmolive and Procter & Gamble have the largest pipeline of new products. Among food companies, Kellogg's, General Mills, Kraft, and Hershey have the biggest pipeline. Among beverage companies, Coca-Cola and PepsiCo have the most new products, and are expanding their non-carbonated drink portfolio. Among clothing companies, we expect the biggest pipelines from Ralph Lauren and Liz Claiborne.

## OUR ANALYST'S ASSUMPTIONS

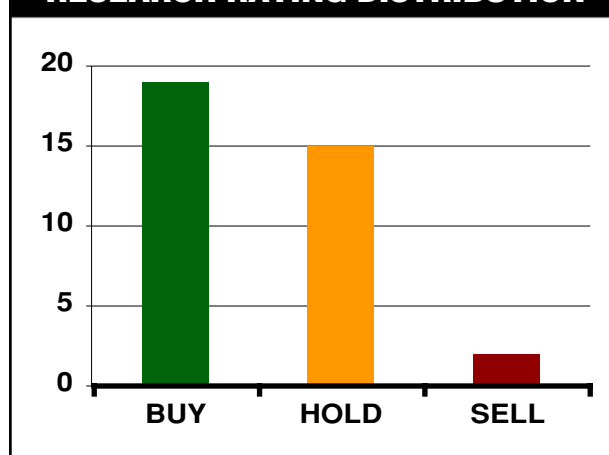
### \* REVENUE TRENDS

Datapoint: Revenue growth

Recent: 4% growth in 2005 (5%+ excluding grocery and clothing)

Forecast: 5% growth in 2006

## RESEARCH RATING DISTRIBUTION



**Why it's important:** We believe that 2006 growth in the Consumer Staples sector will be driven by pricing, along with volume and currency exchange benefits. Throughout the sector, pricing remains strong, but currency effects (which helped 2005 results) may negatively impact 2006. Many companies started 2006 with price increases.

### \* GROCERY STORE SALES

Datapoint: Same-store or identical-store sales growth

Recent: up 3.5% in 2005

Forecast: up 3.5%-4% in 2006

**Why it's important:** Same-store sales reveal micro trends related to specific companies and shed light on larger macro trends. For the most recent quarter, grocery stores saw average same-store sales growth of 3.6%. Identical-store sales rose 2.7% at Safeway (up 1.5% excluding fuel); 6.2% at Kroger (up 4.7% excluding fuel); and 11.9% at Whole Foods. Same-store sales declined 0.3% at Albertsons.

### \* GENERAL COMMODITY PRICES

Datapoint: DJ-AIG Commodity Futures Index

Recent: 175, up 2% year-to-date.

Forecast: Flat to slightly higher over the next six months.

**Why it's important:** This broad index reflects the overall prices for commodities, and we expect rising commodity prices eventually to affect prices of finished goods. Prices of tomatoes and coffee have been trending higher. Fuel, energy, distribution and packaging costs have also continued to rise. Lately, companies have been able to offset higher production costs with price increases. Still, the lag effect has negatively impacted operating margins.

# ENERGY

## INVESTMENT STRATEGY

**MARKET-WEIGHT.** We expect oil to average \$65 per barrel in 2006 and to trade in a \$59-\$84 range. For 2007, we think oil will average \$66 per barrel. Wall Street's oil forecasts have fluctuated lately, but 2006 earnings growth estimates for the energy companies have held steady at 15% due to continuing high refining margins. Indeed, earnings power remains strong even amid high operating costs and a possible peak in growth rates. Still, we are reluctant to upgrade the sector to an Over-Weight rating because of share price gains over the past few years. The Energy sector accounts for about 10% of the market's capitalization, up from 5.5% in 2003. We think long-term investors are served well by having an international integrated company as a core holding and an oilfield services, contract drilling or independent E&P company as a secondary holding.

## EARNINGS OUTLOOK

For 2006, analysts expect energy companies' earnings to increase 15%, compared with a 43% rise in 2005, and a 55% rise in 2004.

## RISKS

Energy companies must invest tremendous capital in long-term projects – often in regions that don't fully respect the law. This makes the firms vulnerable to both economic variability and political whimsy. The prices of crude oil and natural gas are volatile. A "windfall profit" tax has been suggested as a way to reign in what some observers see as excessive oil industry profits.

## ITEMS TO WATCH

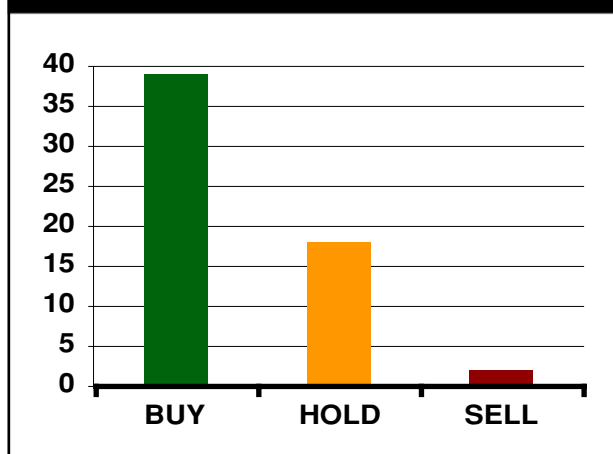
We could see consolidation in the Energy sector, as companies are currently flush with cash. The quest for reserves is an ever-present challenge.

Crude oil refining and retail gasoline businesses face challenges. In 2005, new federal regulations, known as Tier II, cut by 60% the amount of sulfur allowed in gasoline. For 2006, the allowable limit has been reduced by an additional 10%. The capital expenditures required to meet the new levels are forcing marginal producers out of the market and decreasing refining efficiency. Meanwhile, well-run refiners are making record profits. Those with the greatest flexibility with respect to the kinds of grades they are able to refine are faring the best. In addition, the lack of new refining capacity is widening margins domestically, as gasoline demand grows with the economy.

## OUR ANALYST'S ASSUMPTIONS:

- **OIL PRICES**  
Datapoint: West Texas intermediate oil  
Current: \$75 per barrel  
Forecast: \$65 average for 2006; with a \$59-\$84 trading range  
Why it's important: Oil prices impact everything from

## RESEARCH RATING DISTRIBUTION



consumer spending to overall inflation. We have revised upward our 2006 forecast for the price of oil to an average of \$62 per barrel, based on the volatile Mideast situation, rising demand in Asia and the United States, and OPEC's limited surplus capacity.

- **NATURAL GAS PRICES**  
Datapoint: Price per thousand cubic feet (mcf)  
Current: \$5.62 per mcf  
Forecast: \$7.50 average for 2006; with a \$5.25-\$11 trading range  
Why it's important: Natural gas prices have a major impact on the cost of producing other goods, including electricity. Prices have gyrated wildly over the last few months.
- **OIL COMPANY CAPITAL SPENDING**  
Datapoint: Budget growth.  
Forecast: 2006 growth of 12%, bringing budgets to \$150 billion.  
Why it's important: Capital spending by the major integrated companies is a key driver of business trends for services and drilling companies. We have increased our 2006 forecast to 12% growth from 6% growth, reflecting inflation in basic materials components and higher price realizations.
- **OIL DRILLING RIG COUNT**  
Datapoint: Rig count.  
Current: 3,200 rigs  
Forecast: 3,800 rigs for 2006 (19% growth) and 4,400 for 2007 (16% growth)  
Why it's important: The rig count is at a 20-year high, driven in large part by high oil prices. Last year, the rig count grew in excess of 20% — but we expect growth to moderate this year. Day rates are rising as utilization improves. New rig construction picked up in the latter half of 2005 and we expect it to continue to increase through 2007.

## FINANCIAL SERVICES

### INVESTMENT STRATEGY

**MARKET-WEIGHT.** The eventual end of the rate hikes by the Fed may be a positive catalyst for the sector. In addition, valuations have been helped by a recent significant sell-off in stocks of major securities firms. Earnings growth expectations for the next couple of quarters appear reasonable and dividend growth and share buybacks continue to be well-above-average compared to other sectors. Capital markets have been strong for the past two years, and M&A and trading conditions should remain strong throughout 2006. We do, however, remain concerned about slower asset and deposit growth and the flat yield curve. (The flat yield curve is a negative for life insurers, but P&C firms have been raising rates after covering losses from Hurricane Katrina.) Loan loss ratios will likely head higher. Dividend yields of 3%-4% for large banks provide downside cushion. We continue to favor global securities firms over U.S. regional banks.

### EARNINGS OUTLOOK

The consensus forecast calls for 2006 EPS growth of 19.5%, after hurricane-related insurance losses held sector earnings growth to just 3% in 2005.

### RISKS

Revenue at banks has been driven by mortgage and home equity loan growth. With short-term rates rising, home equity growth is slowing. Corporations are still cautious about capital spending and are awash in cash. As such, demand for capital remains low, competition from hedge funds and private equity has emerged in the past year or so and corporations continue to finance with bonds.

The yield curve has been flattening, which means tighter net interest margins. Though derivatives contracts may soften the pressure, these carry a cost as well. In addition, loan loss ratios appear set to head higher, and companies face legal and regulatory challenges.

### ITEMS TO WATCH

Consolidation among second-tier regional banks and consumer finance firms should continue, although we expect that premiums will be more modest. Large, independent trust/processing banks may be attractive targets for conglomerates.

We expect financial firms to continue to increase dividends and share buybacks because capital and reserve levels are high.

Capital markets banks should continue to focus on value-added services to hedge fund clients because margins continue to shrink in commodity segments of stock trading and execution. M&A momentum is strong.

Asset management firms face increasing pressure on fees and higher compliance costs. Firms are focused on consolidating funds and rolling out value-added funds. Valuations in that space are high relative other financials.

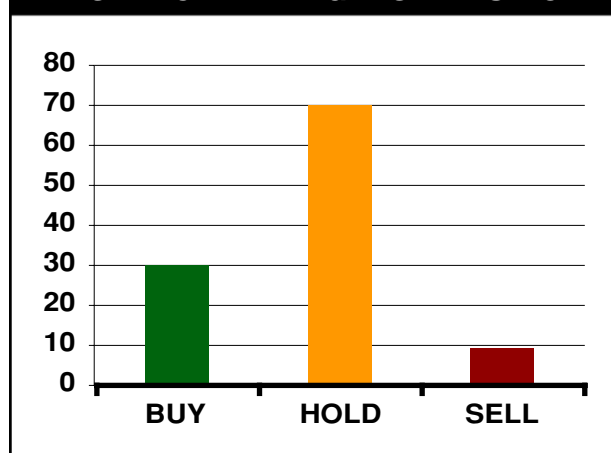
### OUR ANALYST'S ASSUMPTIONS

- PRIME RATE**

Datapoint: The benchmark used by banks as the index for setting most consumer loans. It generally moves in lockstep with the Fed Funds rate.

Current: 8.25%

### RESEARCH RATING DISTRIBUTION



12-18 month forecast: 8.50%. The Fed Funds rate recently rose to 5.25%, and we expect it to rise to at least 5.5% this year.

Why it's important: Most loans carry variable rates that move with the prime rate. An upward move in short-term rates, if not accompanied by strong job and income growth, could adversely affect loan loss ratios.

- MORTGAGE RATES**

Datapoint: The average rate paid for the benchmark 30-year fixed loan.

Current: 6.78% national average, according to Freddie Mac

12-month forecast: 6.00%-7.00%. We expect a modest increase, consistent with our expectation that the 10-year T-Note yield (the benchmark index for 30-year loan rates) will move to 4.75%-5.75% over the next 12 months.

Why it's important: Consumer finance and banking firms derive significant revenue from originating, servicing and holding (for spread income) mortgage loans.

- COMMERCIAL CREDIT GROWTH**

Datapoint: Growth of loans to corporations

Current: Growth remains modest, with weakness in large corporate loans, relative strength in mid-sized companies and strong growth in small companies.

Forecast: Somewhat stronger overall commercial loan growth of 2%-3% in 2006, but still below our forecast for 2006 GDP growth of 3%-plus.

Why it's important: As rates rise, companies that can raise money in the bond market will continue to do so.

- INVESTMENT BANKING FEES**

Datapoint: Fees earned for advisory/underwriting

Current: Quarterly average year-over-year fee growth of more than 20% over the past two years for the top-tier securities firms.

Forecast: We expect another year of robust growth in banking fees. M&A volume should be strong, and equity underwriting activity should be up as well. Fixed-income issuance should start to slow as rates continue to rise.

Why it's important: For securities firms and major banks, specialized advisory and underwriting work continues to carry high margins.

# HEALTHCARE

## INVESTMENT STRATEGY

**OVER-WEIGHT.** The Healthcare sector has lagged the S&P 500 year-to-date, but earnings growth expectations and valuations are quite low by historical standards. As the economy slows, we believe that the sector will finally attract more interest. Pharmaceutical stocks account for roughly 75% of the value of the S&P 500 Healthcare sector. Over time, we believe that better pipeline and restructuring news, coupled with above-average dividend yields, will reward investors in large-cap pharmaceutical stocks. We also still like the prospects for selected stocks in the device, biotech, and insurance segments. Over the long-term, a diversified basket of Healthcare stocks should position a portfolio to benefit from the impact of aging Baby Boomers and demand from rapidly growing emerging markets.

## EARNINGS OUTLOOK

For 2006, analysts expect EPS to rise 8.4%, on top of 8% growth in 2005. Until recent years, the sector commonly delivered growth rates in the mid-teens.

## RISKS

Many medical companies face risks from lack of product diversification. Patent expirations are part of the drug development lifecycle. Companies strive to have new product launches offset the inevitable decline of products losing patent protection – but gaps often occur, causing earnings slowdowns. Generics companies continually challenge the patents of branded drugs, while the branded firms defend their patents in court. This adds uncertainty and volatility to earnings for both types of companies. Product liability and litigation risk is ever-present. Medical devices sometimes fail. Medical technology is always evolving. The FDA has increased scrutiny of new drug approvals.

## ITEMS TO WATCH

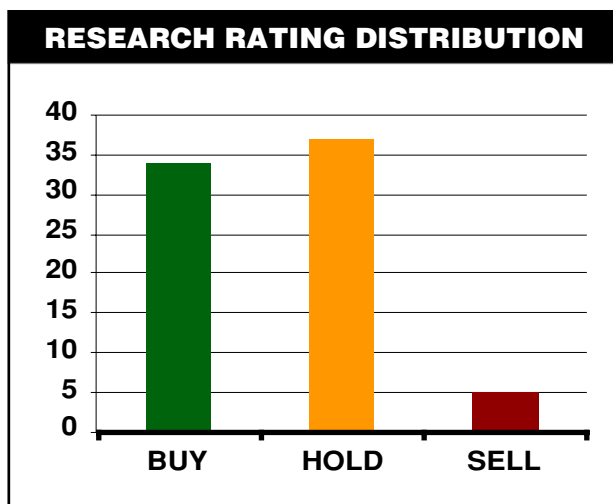
Registration of seniors for the new Medicare drug benefit initially was slower-than-expected, which hurt some companies as patients dropped treatment. Enrollment trends, however, have improved through private-public initiatives. The affect on biopharmaceutical companies is expected to be neutral for the year.

Consolidation and deal making are expected to continue. Well-capitalized, large pharmaceutical and biotech companies seek to augment their in-house product pipelines with candidates developed by other companies. As generics firms diversify into the branded business and as mid-sized specialty pharmaceutical and biotechnology firms look to fill out their pipelines, they, too, are looking for new products.

Criticism about the prices of branded drugs continues, and the issue is not likely to die.

In 2005, the falling dollar helped sales growth for multinational companies, adding 2%-3% to revenue. First-quarter 2006 revenue was hurt by the stronger dollar, which has since weakened. At current rates, the effect for the year should be positive.

Newer drugs to keep an eye on include Abilify and Orencia from Bristol-Myers, Humira from Abbott Labs, Avastin from Genentech, Lyrica from Pfizer, Revlimid from



Celgene, and Vytorin from Schering Plough and Merck.

## OUR ANALYST'S ASSUMPTIONS:

- **PHARMACEUTICAL SALES GROWTH**  
Datapoint: Pharmaceutical revenue growth rate  
2006 Forecast (per IMS): 8%-9% growth in the U.S.; 6%-7% growth worldwide

Why it's important: Pharmaceuticals and biotechnology comprise the biggest portion of the industry. Sales growth is driven by volume, price and foreign exchange. Variables include new products and loss of patent protection. This year, growth is expected to benefit from increased access to medicines for U.S. seniors through Medicare Part D, new products, and some rebound from the impact of the Vioxx and Bextra COX-2 market withdrawals. This growth will be offset, in part, by patent expirations and price erosion from competing generics. Oncology treatments and biologics to treat auto-immune diseases continue to perform well. With the global focus on a possible flu pandemic, the importance of vaccines and anti-viral medications has increased.

- \* **MEDICAL DEVICES SALES GROWTH**

Datapoint: Device revenue growth rate  
Current: 13%  
Forecast: 10%-12%

Why it's important: Despite favorable demographics, growth in stents and defibrillator implants has slowed. Nonetheless, device makers have attracted acquisition interest.

- \* **HOSPITAL SAME-STORE SALES**

Datapoint: Hospital same-store sales growth  
Current: Flat-to-down 2%  
Forecast: Flat-to-down 2%

Why it's important: Hospitals are taking a harder line approach on pricing from implant suppliers. Utilization rates and surgical volumes typically improve as hospitals improve their overall marketing efforts.

- **HEALTH INSURANCE PREMIUM GROWTH**

Datapoint: Health insurance premium increases  
Current: Average 6%-8%  
Forecast: 6%-8%

Why it's important: Premium growth has peaked, but higher utilization may pressure premium yields.

## INDUSTRIAL

### INVESTMENT STRATEGY

**MARKET-WEIGHT.** The Industrials sector has outperformed the S&P 500 year-to-date, but we believe that 2006 earnings growth expectations for the sector are high at 16%. (Earnings were up 16% in 2005 as well.) Thus, we would not Over-Weight the sector at this stage. Earnings growth for Industrials is closely tied to global GDP and capital spending growth, which are showing signs of slowing. While we do expect 2006 Industrial earnings growth to outpace that of most other sectors, we believe that is already reflected in valuations.

### EARNINGS OUTLOOK

For 2006, analysts expect EPS to grow 16%, after 16% growth in 2005.

### RISKS

A continued slowdown in the automotive sector is a risk. A global recession or a rising dollar could harm the export divisions of these companies. Rising oil prices will likely increase the cost of freight and petrochemical feedstock and depress consumer spending. Many older manufacturing companies have high pension costs. Also, a rising interest rate environment may dampen corporate capital spending.

### ITEMS TO WATCH

If productivity trends falter, the Industrial sector may have trouble boosting profits. That does not appear likely over the near term, but productivity growth has decelerated to 2.9% in 2005 from 4.1% in 2002. Even so, first-quarter 2006 productivity growth rebounded to 3.2%.

While we do not see danger in inventory levels right now, they warrant attention.

The proposed 2007 U.S. defense budget calls for higher-than-expected spending, with a strong emphasis on funding nimble capabilities in order to combat terrorism and niche threats. Traditional programs have also received support, providing a solid basis for sector growth over the next 12-18 months. Spending is expected to moderate in the future and costs will become a bigger focus.

### OUR ANALYST'S ASSUMPTIONS:

- **CAPACITY UTILIZATION**

Datapoint: Capacity utilization rates from the Federal Reserve

Recent: 81.7% in May 2006

Forecast: 80%-82% in 2006. The 30-year average is 81%.

Comments: The ideal range for capacity utilization is 81%-85%, and manufacturing capacity utilization has just entered that area. The strongest segments for capacity utilization are petroleum & coal, electrical equipment, and plastics & rubber products.

- **CONSTRUCTION SPENDING**

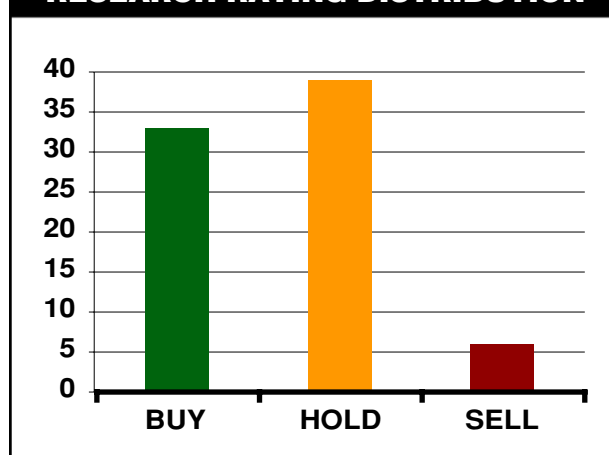
Datapoint: Housing starts

Recent: A record 2.072 million starts in 2005.

Forecast: 1.9 million starts in 2006

Comments: A growing economy, low interest rates, immigration, and short supply all continue to support the

### RESEARCH RATING DISTRIBUTION



housing market. We do, however, expect overall starts to fall in 2006 as rates rise and home price appreciation slows. Still, we expect commercial construction spending to grow approximately 6%-7% in 2006 (versus our earlier forecast of 5%-10%).

- **TRANSPORTATION TRENDS**

Datapoints: Railroad revenue per carload, airfreight volumes, aircraft deliveries, airline revenue per passenger mile, cost per available seat mile

Forecast: We expect continued growth as companies capitalize on economic strength and tight capacity within the trucking and rail segments.

Comments: Railroad carloadings remain strong as the economy expands and industry capacity remains tight. Global trade is also driving volumes. Rails have improved their fuel surcharge recovery and are targeting higher revenue business.

In air freight, international volumes remain a strong growth driver. Domestic volumes on overnight packages are experiencing modest gains, while ground deliveries continue to show strength. Pricing has also improved as contracts come up for renewal. Both FedEx and UPS implemented price increases in January 2006.

In aircraft construction, Boeing is set to deliver 395 jets in 2006 and is over 98% sold out for 2007's planned production of 440-445 aircraft. International orders continue to grow, while the bulk of U.S. purchases continue to come from low-cost carriers.

- **MANUFACTURING TRENDS**

Datapoint: The Institute of Supply Management's Purchasing Managers' Index

Recent: 53.8 in June 2006, down from recent levels

Forecast: Lower-50s for the second half of 2006.

Comments: Any reading above 50 is considered expansionary. Since July 2005, the price component of the index has risen as high as 62.5, suggesting that the pressures of energy and commodity cost inflation have yet to limit expansion.

## TECHNOLOGY

### INVESTMENT STRATEGY

**OVER-WEIGHT.** Valuation multiples for S&P 500 Technology stocks are well below their 10-year averages and the sector has lagged the S&P 500 year-to-date. (It performed in line with the market in 2005.) Analysts expect the sector to deliver 16% profit growth in 2006, after 17% growth in 2005. Still, expected growth rates over the next two quarters are more modest. Technology companies have tremendous amounts of cash and little debt, so we expect to see more M&A activity, restructurings, and return of capital to shareholders.

### EARNINGS OUTLOOK

For 2006, analysts expect earnings growth to slow to 16% from 17% in 2005.

### RISKS

Key industry players have been plagued by accounting scandals related to inventories, goodwill, and revenue recognition policies. Many companies depend on sales to close in the last few weeks of each quarter. If a deal is delayed, earnings for that period suffer. Valuations, while lower than historical measures, are nevertheless high compared with other sectors.

### ITEMS TO WATCH

Capacity utilization rates are beginning to improve in some areas of technology manufacturing. Computer capacity utilization is at 77.9%, up sharply from 2001's low of 65%. Semiconductor capacity utilization is now 76.5%, up from 64% in 2001. Although there has been some improvement in communications equipment, we believe further gains are possible.

### OUR ANALYST'S ASSUMPTIONS

- U.S. SPENDING ON INFORMATION TECHNOLOGY

Datapoint: Annualized growth in U.S. spending on information technology

Recent: 8% growth in 1Q06

Forecast: 6%-7% in 2006

Why it's important: Conventional wisdom suggests that IT spending will grow at twice the rate of GDP. Total IT spending in the U.S. remains quite healthy, despite a recent slowdown in most sectors. For 2006, we expect IT spending on a worldwide basis to increase 6%-7%. According to a recent CIO Magazine Tech poll, IT budgets are expected to increase by approximately 8.6%, compared to a 2005 average of 6.8%.

- PC SALES

Datapoint: Personal computer sales growth

### RESEARCH RATING DISTRIBUTION



Recent: 12.9% unit growth in 1Q06.

Forecast: 8%-9% growth for 2006 (down from our earlier forecast of 10%).

Why it's important: Portable PCs, as opposed to desktop models, continue to be the main drivers behind PC unit growth.

- SEMICONDUCTOR SALES

Datapoint: Semiconductor sales forecasts

Recent: 7.3% growth in 1Q06.

Forecast: 5%-8% growth in 2006.

Why it's important: This is the core growth metric for the industry, as semiconductors are the key component in products ranging from computers to consumer electronics and communications products. Slow growth in 1Q06 should rebound in 2H06.

### TELECOM HANDSET SALES

Datapoint: Handset sales

Recent: 20% growth in 2005 to 810 million handset unit sales

Forecast: 15% growth for 2006 (up from our earlier forecast of 12%) to 925 million handsets; 12% growth in 2007 (up from our earlier forecast of 10%) to 1.1 billion handsets.

Why it's important: An earlier shift in market share to CDMA is now leveling off, as WCDMA grows in mature markets and GSM surges in the developing world. On the equipment front, we believe that carrier capital spending budgets have passed an inflection point and will rise modestly in 2006. Spending should be focused on converged IP networks at the expense of old, circuit-switched gear.

# TELECOMMUNICATIONS

## INVESTMENT STRATEGY

**MARKET-WEIGHT.** Telecom valuations have fallen dramatically over the past several years, and the sector accounts for a historically low 3% of the market's overall capitalization. While Baby Bells are struggling with declining local access lines trends, valuations and dividend yields are more compelling for long-term investors. Still, risks remain high and pricing pressure is fierce. Telecom firms are investing huge sums in infrastructure upgrades to compete with satellite, media, cable and internet firms. Even so, analysts expect 2006 earnings growth in the mid-teens, which we believe is optimistic. Consolidation should continue, but it may not be enough to reduce excess capacity. Thus, investors should control their exposure to the sector.

## EARNINGS OUTLOOK

In 2006, analysts expect EPS to grow 17% after growing 10% in 2005, the first year the sector grew earnings in some time.

## RISKS

Regulatory changes continue to affect the industry and more changes could be on the way. The industry remains burdened by debt, though many companies are using excess cash flow to pay down obligations. Pension funding requirements may continue to be a major drag on company results. The shift to new services like DSL, VoIP and wireless is likely to accelerate over the next year, adding margin pressure.

## ITEMS TO WATCH

The telecom sector has produced a series of mega-mergers, which suggests a perceived need to increase scale and scope in the face of disruptive technological change. The industry likely will face increased competition from cannibalism, wireless operators, cable companies and VoIP upstarts.

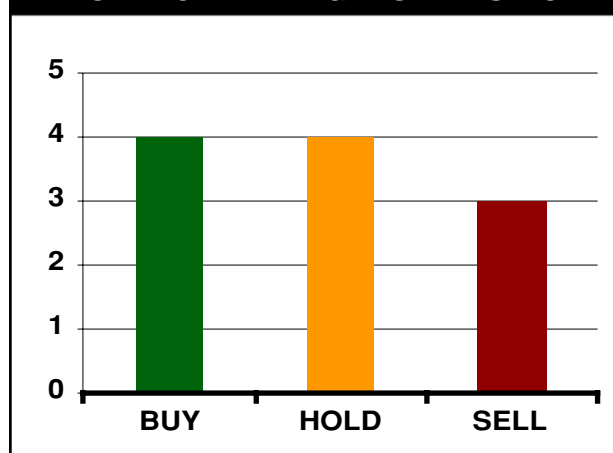
All the major industry players have started bundling services, with discounts on combined voice, data, video (by satellite partners, for now) and wireless services.

## OUR ANALYST'S ASSUMPTIONS

- LOCAL ACCESS LINE TRENDS**  
 Datapoint: Local access line revenue  
 Recent: Down about 1% in 2005  
 Forecast: Flat-to-up 2% in 2006 (versus our earlier forecast of Flat-to-down 2%)

Comment: Local access lines have been the core source of industry revenue for the last 50 years. Local access line additions went negative in 2001-2002 as retail customers began switching to wireless and broadband connections. In 2004, local access line trends, while still negative, began to turn due to regulatory rulings favorable to the

## RESEARCH RATING DISTRIBUTION



RBOCs, the exit of major competitors from the consumer market, and increasing contributions from DSL and long-distance revenue. These trends continue.

- WIRELESS REVENUE TRENDS**  
 Datapoint: Average revenue per user (per month) (ARPU)

Recent: Down 1% in 2005

Forecast: Down 1%-2% in 2006

Comments: As competition heats up in the wireless sector, companies are increasingly discounting their regular service plans to lure subscribers with the goal of eventually upselling data and other advanced services. Following four years of steady growth, ARPU fell in 2005 and is expected to fall modestly in 2006. A turnaround is likely only if and when significant numbers of subscribers begin to use new data services.

- WIRELESS PENETRATION**

Datapoint: Minutes of use

Recent: Up 30% in 2005.

Forecast: Over 30% growth in 2006

Comments: We expect strong double-digit wireless subscriber growth in 2006. Recent trends are encouraging, with industry churn down and ARPU steady or slightly down. Handsets continue to grow in complexity and functionality and can handle advanced services like wireless internet access and music and video downloads. New content becomes available to wireless customers almost daily, though it remains unclear how quickly subscribers will adapt to the new offerings. Wireless penetration in the U.S. market is about 65%, according to industry trade group CTIA. This leaves room for future growth based on higher penetration rates in Europe and Japan.

# UTILITY

## INVESTMENT STRATEGY

**UNDER-WEIGHT.** With demand outpacing supply and existing infrastructure showing its age, we believe that the Utility sector is about to embark on a years-long capital investment cycle. Consequent borrowing costs should cut into profit margins. In this context, we think consensus growth expectations of 14% for 2006 are too high. Also, if long-term interest rates keep moving higher, as we expect, then the yields of utilities stocks will appear less attractive. Still, we believe that investors should take a long-term approach, thereby benefiting from both the traditional dividend security and the potential for moderate price appreciation.

## EARNINGS OUTLOOK

For 2006, analysts expect earnings growth of 14%, after nearly 14% growth in 2005.

## RISKS

The electric utility sector continues to face commodity, credit and regulatory risk. Volatile natural gas prices could result in lower profits for a number of electric utilities.

## ITEMS TO WATCH

Nuclear utilities are now the most economical to operate, given that natural gas prices have soared and coal-fired utilities face environmental risks. Nuclear utilities could deliver positive earnings surprises, as their rates have climbed and their costs are relatively low. Still, coal – with an estimated 200-year supply – is here to stay and prices are around \$60 per ton, up from \$30 per ton five years ago. Railheads have been built into Illinois and Indiana.

The Nuclear Regulatory Commission is recertifying nuclear plants built during the huge building cycle of the 1970s.

We are keeping an eye on alternative fuel sources, such as wind power and hydrogen fuel cells.

With the recent demise of the Public Utility Act of 1935, M&A activity is expected to increase. In the absence of significant investment projects, we think power and electric utility companies will concentrate on improving financial strength, increasing dividends and running their electric utility operations.

## OUR ANALYST'S ASSUMPTIONS

### \* ON-PEAK POWER PRICES

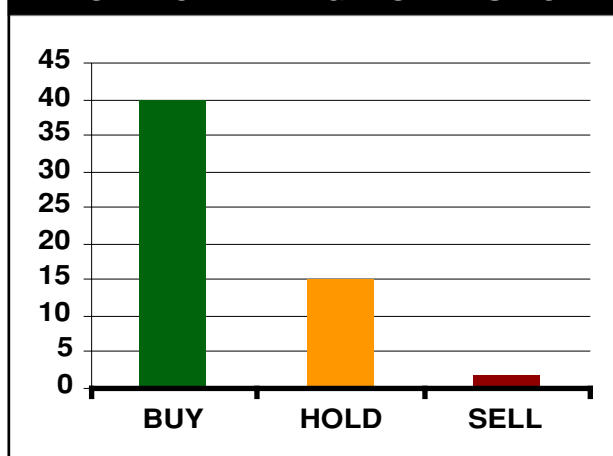
Datapoint: Megawatt prices

Recent: \$23-\$25

Forecast: \$30-\$32 in 2006

Why it's important: Power prices, which have increased from their low-30s range a year-and-a-half ago, have an impact throughout the economy. Given our forecast for continuing high natural gas prices, we think power prices

## RESEARCH RATING DISTRIBUTION



are likely to continue to trend higher. Finally, among regulated electric utilities, the number of rate increase requests is rising.

### • SPARK SPREADS

Datapoint: The gap between power prices and the cost to generate the power

Current: \$18

Forecast: \$24-\$25 in 2006

Why it's important: This is how non-regulated utilities make money. The industry's target is \$26-\$28.

### • CAPACITY GROWTH

Datapoint: Capacity of megawatts in the U.S.

Current: 840,000 megawatts

Forecast: An upwardly revised 95,000 additional megawatts coming on line in the next five years

Why it's important: Five years ago, shortly after the California energy crisis, capacity was expected to rise almost 50%. Then, the recession hit, Enron collapsed, and the merchant power sector nose-dived. Cutbacks in capacity expansion could well translate into tighter supply in a few years. We expect a new construction cycle to commence in 2-3 years.

### • GAS UTILITY CUSTOMER GROWTH

Datapoint: Customer growth

Current: 1.1%-1.2%

Forecast: 1.2%-1.3% in 2006

Why it's important: We expect natural gas customer growth to advance from the 1% average rate in 2001-2002, as customers increasingly favor cleaner-burning fuel. We expect some 24 trillion cubic feet (tcf) of gas to be used this year, up from 23.3 tcf in 2005.

# ARGUS COVERAGE

PRINT DATE: 7/12/2006

<u>Security Name</u>	<u>Symbol</u>	<u>Sub-Industry</u>	<u>Security Name</u>	<u>Symbol</u>	<u>Sub-Industry</u>
3M Co	MMM	Diversified Industrial	American Electric Power Co Inc	AEP	Electric Utility
Abbott Laboratories	ABT	Pharmaceuticals	American Express Co	AXP	Banks
Abercrombie & Fitch Co	ANF	Retailers-Specialty	American Intl Grp In	AIG	Banks
Accenture Ltd	ACN	Financial Electronic Services	American Standard Cos In	ASD	Building Materials
ACE Ltd	ACE	Insurance	AMERIGAS PART STK UN	APU	Gas Distribution
Activision Inc	ATVI	Software	Amerigon Inc	ARGN	Auto Parts
Adams Respiratory Therapeutics	ARXT	Pharmaceuticals	AmerisourceBergen Corp	ABC	Healthcare Services
ADC Telecommunications Inc	ADCT	Communication Equipment	Amgen Inc	AMGN	Pharmaceuticals
Adobe Systems Inc	ADBE	Software	AMN Healthcare Services Inc	AHS	Healthcare Services
Adtran Inc	ADTN	Communication Equipment	AMR Corp	AMR	Airlines
Advance America Cash Advance C	AEA	Consumer Finance	Anadarko Petroleum Corp	APC	Oil Exploration & Production
Advance Auto Parts Inc	AAP	Auto Parts	Anadys Pharmaceuticals Inc	ANDS	Pharmaceuticals
Advanced Analogic Teches In	AATI	Semiconductors	Analog Devices Inc	ADI	Semiconductors
Advanced Micro Devices Inc	AMD	Semiconductors	Andrew Corp	ANDW	Communication Equipment
AES Corp	AES	Electric Utility	Anheuser-Busch Companies Inc	BUD	Beverage
Aetna Inc	AET	Healthcare Services	Aon Corp	AOC	Insurance
AFLAC Inc	AFL	Insurance	Apache Corp	APA	Oil Exploration & Production
Aftermarket Technology Corp	ATAC	Auto Parts	Apollo Group Inc	APOL	Technology Electronic Services
AGL Resources Inc	ATG	Gas Distribution	Apollo Investment Corp	AINV	Consumer Finance
Air Products and Chemicals Inc	APD	Chemicals	Apple Computer Inc	AAPL	Computer Hardware
AirTran Holdings Inc	AAI	Airlines	Applied Biosystems Group	ABI	Medical Devices
Alcatel	ALA	Communication Equipment	Applied Materials Inc	AMAT	Semiconductors
Alcoa Inc	AA	Metals & Mining	AptarGroup Inc	ATR	Personal Products
Alexander & Baldwin Inc	ALEX	Diversified Industrial	Aqua America Inc	WTR	Water
Alexandria R.E. Equities In	ARE	REITs	Arbitron Inc	ARB	Media/Leisure
Allegheny Energy Inc	AYE	Electric Utility	Arch Coal Inc	ACI	Metals & Mining
Allergan Inc	AGN	Pharmaceuticals	Archstone-Smith Trust	ASN	REITs
Alliance Resource Partners LP	ARLP	Metals & Mining	Ariad Pharmaceuticals Inc	ARIA	Pharmaceuticals
Alliant Techsystems Inc	ATK	Aerospace and Defense	Ariba Inc	ARBA	Software
Allied Waste Industries Inc	AW	Environmental Services	Ashland Inc	ASH	Metals & Mining
Allscripts Healthcare Solus In	MDRX	Healthcare Services	AT&T Corp	T	Local
Allstate Corp	ALL	Insurance	AtheroGenics Inc	AGIX	Pharmaceuticals
ALLTEL Corp	AT	Local	Atmos Energy Corp	ATO	Gas Distribution
Alpha Natural Resources Inc	ANR	Metals & Mining	Audible Inc	ADBL	Media/Leisure
ALTIRIS INC	ATRS	Software	AutoDesk Inc	ADSK	Software
Altria Group Inc	MO	Tobacco	Automatic Data Processing Inc	ADP	Financial Electronic Services
Altus Pharmaceuticals Inc	ALTU	Pharmaceuticals	Autonation Inc	AN	Auto Parts
Amazon.com Inc	AMZN	Retailers-Specialty	AutoZone Inc	AZO	Auto Parts
AMB Property Corp	AMB	REITs	AvalonBay Communities Inc	AVB	REITs
Ameren Corp	AEE	Electric Utility	Avaya Inc	AV	Communication Equipment
American Campus Communities In	ACC	REITs	Baker Hughes Inc	BHI	Oil Services
American Cptl Strategies Lt	ACAS	Consumer Finance	Bank of America Corp	BAC	Money Centers

Bank of New York Co Inc	BK	Regional Banks	CBL & Assocs Properties In	CBL	REITs
Barr Pharmaceuticals Inc	BRL	Pharmaceuticals	CBRL Group Inc	CBRL	Restaurants
Barrick Gold Corp	ABX	Metals & Mining	CBS Corp	CBS	Media/Leisure
Barrier Therapeutics Inc	BTRX	Biotechnology	CEDAR FAIR ADR UN	FUN	Media/Leisure
Baxter International Inc	BAX	Medical Devices	Celanese Corp	CE	Chemicals
BEA Systems Inc	BEAS	Software	Celestica Inc	CLS	Communication Equipment
Beacon Roofing Supply Inc	BECN	Building Materials	Celgene Corp	CELG	Healthcare Services
Bearingpoint Inc	BE	Financial Electronic Services	CenterPoint Energy Inc	CNP	Electric Utility
Beazer Homes USA Inc	BZH	Building Materials	Central Garden & Pet Co	CENT	Retailers-Specialty
Becton Dickinson & Co	BDX	Medical Devices	CenturyTel Inc	CTL	Local
Bed Bath & Beyond Inc	BBBY	Retailers-Specialty	Cephalon Inc	CEPH	Biotechnology
BellSouth Corp	BLS	Local	CF Industries Holdings Inc	CF	Chemicals
Best BUY Co Inc	BBY	Retailers-Specialty	Check Point Software Teches Lt	CHKP	Software
Bill Barrett Corp	BBG	Oil Exploration & Production	Cheesecake Factory Inc	CAKE	Restaurants
Bioenvision Inc	BIVN	Biotechnology	Chemed Corp	CHE	Building Materials
Biogen Idec Inc	BIIB	Pharmaceuticals	Chesapeake Corp	CSK	Paper
BJ SERVICES CO	BJS	Oil Services	Chesapeake Energy Corp	CHK	Oil Exploration & Production
BJ's Wholesale Club Inc	BJ	Retailers-Specialty	Chevron Corp	CVX	International Integrated
Black & Decker Corp	BDK	Building Materials	Chipotle Mexican Grill Inc	CMG	Restaurants
Blockbuster Inc	BBI	Retailers-Specialty	Choice Hotels Intl In	CHH	Lodging
Blue Nile Inc	NILE	Retailers-Specialty	ChoicePoint Inc	CPS	Technology Electronic Services
BlueLinx Holdings Inc	BXC	Building Materials	Chubb Corp	CB	Insurance
Boeing Co	BA	Aerospace and Defense	Ciena Corp	CIEN	Communication Equipment
Boston Properties Inc	BXP	REITs	CIGNA Corp	CI	Healthcare Services
Boston Scientific Corp	BSX	Medical Devices	Circuit City Stores Inc	CC	Retailers-Specialty
Bowater Inc	BOW	Paper	Cisco Systems Inc	CSCO	Networking
Boyd Gaming Corp	BYD	Media/Leisure	CIT Group Inc	CIT	Banks
BP Plc	BP	International Integrated	Citigroup Inc	C	Money Centers
Brandywine Realty Trust	BDN	REITs	Citizens Banking Corp	CBCF	Regional Banks
Brasil Telecom SA	BTM	Local	Clear Channel Comms In	CCU	Media/Leisure
BRE Properties Inc	BRE	REITs	CMS Energy Corp	CMS	Electric Utility
Brinker International Inc	EAT	Restaurants	Coca-Cola Co	KO	Beverage
Bristol-Myers Squibb Co	BMY	Pharmaceuticals	Coca-Cola Enterprises Inc	CCE	Beverage
Broadcom Corp	BRCM	Semiconductors	Coeur D'Alene Mines Corp	CDE	Metals & Mining
Brocade Comms Syss In	BRCD	Storage Devices	Cogent Inc	COGT	Software
BUCKEYE PARTNERS STK UN	BPL	Gas Transmission	Coinstar Inc	CSTR	Diversified Industrial
Burger King Holdings Inc	BKC	Restaurants	Colgate-Palmolive Co	CL	Personal Products
Burlington Northern Santa Fe C	BNI	Railroads	Comcast Corp	CMCSA	Media/Leisure
Cablevision Systems Corp	CVC	Media/Leisure	Connetics Corp	CNCT	Pharmaceuticals
Cabot Microelectronics Corp	CCMP	Semiconductors	ConocoPhillips	COP	Domestic Integrated
Calpine Corp	CPNLQ	Electric Utility	Conor Medsystems Inc	CONR	Medical Devices
Cameron International Corp	CAM	Oil Services	Consolidated Edison Inc	ED	Electric Utility
Campbell Soup Co	CPB	Food	Constellation Energy Grp Inc	CEG	Electric Utility
Capital One Financial Corp	COF	Regional Banks	Continental Airlines Inc	CAL	Airlines
Cardinal Health Inc	CAH	Healthcare Services	Copa Holdings SA	CPA	Airlines
Career Education Corp	CECO	Technology Electronic Services	Corinthian Colleges Inc	COCO	Technology Electronic Services
Carnival Corp	CCL	Lodging	Corning Inc	GLW	Communication Equipment
CarrAmerica Realty Corp	CRE	REITs	Costco Wholesale Corp	COST	Personal Products
Caterpillar Inc	CAT	Construction Machinery	Countrywide Financial Corp	CFC	Money Centers

COX RADIO INC	CXR	Media/Leisure	ENERGY TRANSFER UNIT	ETP	Gas Transmission
CRA International Inc	CRAI	Technology Electronic Services	Entercom Communications Corp	ETM	Media/Leisure
Crescent R.E. Equities C	CEI	REITs	Entergy Corp	ETR	Electric Utility
CSX Corp	CSX	Railroads	ENTERPRISE GP UNITS	EPE	Gas Transmission
CVS Corp	CVS	Personal Products	ENTRP PROD PRTNR UN	EPD	Gas Transmission
DaimlerChrysler AG	DCX	Auto	Equinix Inc	EQIX	Networking
Dana Corp	DCNAQ	Auto Parts	Equity Inns Inc	ENN	REITs
Danaher Corp	DHR	Diversified Industrial	Equity Office Properties Trust	EOP	REITs
Darden Restaurants Inc	DRI	Restaurants	Equity Residential	EQR	REITs
Deere & Company	DE	Diversified Industrial	EW Scripps Co	SSP	Newspapers
Dell Inc	DELL	Computer Hardware	Exelon Corp	EXC	Electric Utility
Delphi Corp	DPHIQ	Auto Parts	Express Scripts Inc	ESRX	Healthcare Services
Delta Air Lines Inc	DALRQ	Airlines	Extreme Networks Inc	EXTR	Networking
Denbury Resources Inc	DNR	Oil Exploration & Production	Exxon Mobil Corp	XOM	International Integrated
Devon Energy Corp	DVN	Domestic Integrated	Fair Isaac Corp	FIC	Financial Electronic Services
DiamondCluster Intl In	DTPI	Financial Electronic Services	Fairchild Semiconductor Corp	FCS	Semiconductors
Digital River Inc	DRIV	Software	Fannie Mae	FNM	Banks
Dominion Resources Inc	D	Electric Utility	Federated Department Stores In	FD	Retailers-General
Domino's Pizza Inc	DPZ	Food	Fedex Corp	FDX	Transport
Dow Chemical Co	DOW	Chemicals	FERRELLGAS PART STK UN	FGP	Gas Distribution
Dow Jones & Company Inc	DJ	Newspapers	Fifth Third Bancorp	FITB	Regional Banks
Dress Barn Inc	DBRN	Retailers-Specialty	First Data Corp	FDC	Financial Electronic Services
Dresser-Rand Group Inc	DRC	Construction Machinery	First Ind Realty Tr In	FR	REITs
DTE Energy Co	DTE	Electric Utility	FirstEnergy Corp	FE	Electric Utility
DTS Inc	DTSI	Imaging & Information	Fiserv Inc	FISV	Financial Electronic Services
Duke Energy Corp	DUK	Electric Utility	Flextronics International Ltd	FLEX	Communication Equipment
Duke Realty Corp	DRE	REITs	Ford Motor Co	F	Auto
Dyax Corp	DYAX	Pharmaceuticals	Forest Laboratories Inc	FRX	Pharmaceuticals
Dynegy Inc	DYN	Gas Distribution	Fortune Brands Inc	FO	Retailers-General
E I du Pont de Nemours and Co	DD	Chemicals	Foundation Coal Holdings Inc	FCL	Metals & Mining
Eastman Chemical Co	EMN	Chemicals	Foundry Networks Inc	FDRY	Networking
Eastman Kodak Co	EK	Imaging & Information	Four Seasons Hotels Inc	FS	Lodging
Eaton Corp	ETN	Diversified Industrial	FPL Group Inc	FPL	Electric Utility
eBay Inc	EBAY	Retailers-Specialty	Franklin Resources Inc	BEN	Insurance
EchoStar Communications Corp	DISH	Media/Leisure	Freddie Mac	FRE	Consumer Finance
Edison International	EIX	Electric Utility	Freeport-McMoRan Copper & Gold	FCX	Metals & Mining
eFUNDS Corp	efd	Financial Electronic Services	Frontier Oil Corp	FTO	Refiners & Marketers
El Paso Corp	EP	Gas Transmission	Gannett Co Inc	GCI	Newspapers
El Paso Electric Co	EE	Electric Utility	Gap Inc	GPS	Retailers-Specialty
Electronic Arts Inc	ERTS	Software	Gateway Inc	GTW	Computer Hardware
Electronics for Imaging Inc	EFII	Imaging & Information	Genco Shipping & Trading Ltd	GSTL	Transport
Eli Lilly and Co	LLY	Pharmaceuticals	GenCorp Inc	GY	Aerospace and Defense
EMC Corp	EMC	Storage Devices	Genentech Inc	DNA	Pharmaceuticals
Emerson Electric Co	EMR	Diversified Industrial	General Dynamics Corp	GD	Aerospace and Defense
Emmis Communications Corp	EMMS	Media/Leisure	General Electric Co	GE	Diversified Industrial
Emulex Corp	ELX	Storage Devices	General Growth Properties Inc	GGP	REITs
Enbridge Energy Partners LP	EEP	Gas Transmission	General Maritime Corp	GMR	Oil Services
Encysive Pharmaceuticals Inc	ENCY	Pharmaceuticals	General Mills Inc	GIS	Food
Energen Corp	EGN	Gas Distribution	General Motors Corp	GM	Auto

Genesis Microchip Inc	GNSS	Semiconductors	Illinois Tool Works Inc	ITW	Diversified Industrial
Gentiva Health Services Inc	GTIV	Healthcare Services	Inco Ltd	N	Metals & Mining
Genuine Parts Co	GPC	Auto Parts	Incyt Corp	INCY	Pharmaceuticals
Genworth Financial Inc	GNW	Insurance	Inergy L P	NRGY	Gas Distribution
Genzyme Corp	GENZ	Biotechnology	Information Handling Servs In	IHS	Technology Electronic Services
Getty Images Inc	GYI	Imaging & Information	Ingersoll-Rand Co Ltd	IR	Diversified Industrial
Gilead Sciences Inc	GILD	Biotechnology	Innkeepers USA Trust	KPA	REITs
GlaxoSmithKline PLC	GSK	Pharmaceuticals	InPhonic Inc	INPC	Retailers-Specialty
GlobalSantaFe Corp	GSF	Oil Services	Intel Corp	INTC	Semiconductors
GMH Communities Trust	GCT	REITs	IntercontinentalExchange Inc	ICE	Securities
Gol Linhas Aereas Inteligentes	GOL	Airlines	International Business Machine	IBM	Computer Hardware
Golden West Financial Corp	GDW	Insurance	International Game Technology	IGT	Lodging
Goldman Sachs Group Inc	GS	Banks	International Paper Co	IP	Paper
Goodyear Tire & Rubber Co	GT	Auto Parts	International Speedway Corp	ISCA	Auto
Google Inc	GOOG	Technology Electronic Services	Internet Security Systems Inc	ISSX	Software
Grey Wolf Inc	GW	Oil Services	Interpublic Grp of Cos In	IPG	Media/Leisure
Halliburton Co	HAL	Oil Services	Iowa TeleComms Servs In	IWA	Local
Hanson PLC	HAN	Building Materials	iRobot Corp	IRBT	Computer Hardware
Harley-Davidson Inc	HDI	Auto	ITC Holdings Corp	ITC	Electric Utility
Harrah's Entertainment Inc	HET	Lodging	Itron Inc	ITRI	Electric Utility
Harsco Corp	HSC	Diversified Industrial	ITT Educational Services Inc	ESI	Technology Electronic Services
Hartford Finl Servs Grp In	HIG	Insurance	Jabil Circuit Inc	JBL	Communication Equipment
HCA Inc	HCA	Healthcare Services	Janus Capital Group Inc	JNS	Securities
Health Care Pty Investors In	HCP	REITs	JB Hunt Transport Services Inc	JBHT	Transport
Health Mgmt Assocs In	HMA	Healthcare Services	JC Penney Co Inc	JCP	Retailers-General
Health Net Inc	HNT	Healthcare Services	JDS Uniphase Corp	JDSU	Communication Equipment
HealthExtras Inc	HLEX	Healthcare Services	JetBlue Airways Corp	JBLU	Airlines
Helmerich & Payne Inc	HP	Oil Services	Johnson & Johnson	JNJ	Pharmaceuticals
Herbalife Ltd	HLF	Retailers-Specialty	Joseph A Bank Clothiers Inc	JOSB	Retailers-Specialty
Hersha Hospitality Trust	HT	REITs	JPMorgan Chase & Co	JPM	Money Centers
Hershey Co	HSY	Food	Juniper Networks Inc	JNPR	Networking
Hess Corp	HES	Domestic Integrated	Jupitermedia Corporation	JUPM	Financial Electronic Services
Hewlett-Packard Co	HPQ	Computer Hardware	K&F Industries Holdings Inc	KFI	Diversified Industrial
Hilton Hotels Corp	HLT	Lodging	KB Home	KBH	Building Materials
Himax Technologies Inc	HIMX	Semiconductors	Kellogg Co	K	Food
HJ Heinz Co	HNZ	Food	Kerr-McGee Corp	KMG	Refiners & Marketers
Holly Corp	HOC	Refiners & Marketers	Keryx Biopharmaceuticals Inc	KERX	Pharmaceuticals
Hologic Inc	HOLX	Medical Devices	Keynote Systems Inc	KEYN	Software
Home Depot Inc	HD	Retailers-Specialty	KeySpan Corp	KSE	Gas Distribution
Honeywell International Inc	HON	Diversified Industrial	Keystone Automotive Inds In	KEYS	Auto
Horizon Health Corp	HORC	Healthcare Services	Kimberly-Clark Corp	KMB	Personal Products
Host Hotels & Resorts Inc	HST	REITs	Kimco Realty Corp	KIM	REITs
Hot Topic, Inc	HOTT	Retailers-Specialty	Kinder Morgan Inc	KMI	Gas Transmission
Hovnanian Enterprises Inc	HOV	Building Materials	KINDER MORGAN STK UN	KMP	Gas Transmission
HRPT Properties Trust	HRP	REITs	KLA Tencor Corp	KLAC	Semiconductors
HUMANA INC	HUM	Healthcare Services	Knightsbridge Tankers Ltd	VLCCF	Transport
Hydrogenics Corp	HYGS	Oil Services	Kohl's Corp	KSS	Retailers-Specialty
i2 Technologies Inc	ITWO	Software	Kraft Foods Inc	KFT	Food
IAC/InterActiveCorp	IACI	Media/Leisure	Kroger Co	KR	Food

L-3 Comms Hldgs In	LLL	Technology Electronic Services	Mercury Interactive Corp	MERQ	Software
Las Vegas Sands Corp	LVS	Lodging	Merrill Lynch & Co Inc	MER	Banks
Lazard Ltd	LAZ	Securities	MetLife Inc	MET	Insurance
Lear Corp	LEA	Auto Parts	Metrologic Instruments Inc	MTLG	Computer Hardware
Lehman Brothers Holdings Inc	LEH	Securities	MFA Mortgage Investments Inc	MFA	REITs
Lennar Corp	LEN	Building Materials	MGM MIRAGE	MGM	Lodging
Lexmark International Inc	LXK	Imaging & Information	Microsoft Corp	MSFT	Software
Liberty Media Holding Corp	LINTA	Media/Leisure	MicroStrategy Inc	MSTR	Software
Liberty Media(CAP SR A ORD)	LCAPA	Media/Leisure	Molson Coors Brewing Co	TAP	Beverage
Liberty Property Trust	LRY	REITs	Monsanto Co	MON	Chemicals
Limited Brands Inc	LTD	Retailers-Specialty	Morgan Stanley	MS	Banks
Lincoln National Corp	LNC	Insurance	Morgans Hotel Group Co	MHGC	Lodging
Lions Gate Entertainment Corp	LGF	Media/Leisure	Motive Inc	MOTVE	Software
Liz Claiborne Inc	LIZ	Retailers-Specialty	Motorola Inc	MOT	Communication Equipment
Lockheed Martin Corp	LMT	Aerospace and Defense	Movie Gallery Inc	MOVI	Retailers-Specialty
Lowe's Companies Inc	LOW	Retailers-Specialty	Mueller Water Products Inc	MWA	Building Materials
LSI Logic Corp	LSI	Semiconductors	MURPHY OIL CORP	MUR	Domestic Integrated
Lucent Technologies Inc	LU	Communication Equipment	Mylan Laboratories Inc	MYL	Pharmaceuticals
Lyondell Chemical Co	LYO	Chemicals	Myogen Inc	MYOG	Pharmaceuticals
M Sys Flash Disk Pioneers Lt	FLSH	Storage Devices	Nabors Industries Ltd	NBR	Oil Services
Macerich Co	MAC	REITs	National City Corp	NCC	Regional Banks
Mack-Cali Realty Corp	CLI	REITs	National Fuel Gas Co	NFG	Gas Distribution
Macquarie Infrastructure Co Tr	MIC	Diversified Industrial	National Medical Health Card	NMHC	Healthcare Services
Magellan Midstream Pntr L	MMP	Refiners & Marketers	National Oilwell Varco Inc	NOV	Oil Services
Magma Design Automation Inc	LAVA	Software	Nationwide Finl Servs In	NFS	Insurance
Maguire Properties Inc	MPG	REITs	NATL RSC PTNRS UN	NRP	Metals & Mining
Maidenform Brands Inc	MFB	Retailers-Specialty	Nelnet Inc	NNI	Consumer Finance
Manulife Financial Corp	MFC	Insurance	Net 1 Ueps Technologies Inc	UEPS	Technology Electronic Services
Mapinfo Corp	MAPS	Software	Network Appliance Corp	NTAP	Storage Devices
Marathon Oil Corp	MRO	Domestic Integrated	Neurocrine Biosciences Inc	NBIX	Healthcare Services
MarineMax, Inc	HZO	Retailers-Specialty	NeuStar Inc	NSR	Technology Electronic Services
MarketAxess Holdings Inc	MKTX	Securities	New Jersey Resources Corp	NJR	Gas Distribution
Marriott International Inc	MAR	Lodging	New York & Company Inc	NWY	Retailers-Specialty
Marsh & McLennan Companies Inc	MMC	Banks	New York Times Co	NYT	Newspapers
Masco Corp	MAS	Building Materials	Newmont Mining Corp	NEM	Metals & Mining
Mattson Technology Inc	MTSN	Semiconductors	News Corp	NWS	Media/Leisure
Max RE Capital Ltd	MXRE	Insurance	Nicor Inc	GAS	Gas Distribution
MCDATA CORP	MCDT	Storage Devices	Nighthawk Radiology Hldgs Inc	NHWK	Healthcare Services
McDonald's Corp	MCD	Restaurants	NIKE Inc	NKE	Retailers-Specialty
McGraw-Hill Companies Inc	MHP	Media/Leisure	NiSource Inc	NI	Electric Utility
McKesson Corp	MCK	Healthcare Services	Noble Corp	NE	Oil Services
MDC Holdings Inc	MDC	Building Materials	Noble Energy Inc	NBL	Oil Exploration & Production
MDU Resources Group Inc	MDU	Electric Utility	Nokia Oyj	NOK	Communication Equipment
Medco Health Solutions Inc	MHS	Healthcare Services	NORDIC AMERICAN TANKER SHIPP	NAT	Building Materials
Medicines Co	MDCO	Pharmaceuticals	Nordstrom Inc	JWN	Retailers-Specialty
Medimmune Inc	MEDI	Biotechnology	Norfolk Southern Corp	NSC	Railroads
Medtronic Inc	MDT	Medical Devices	Nortel Networks Corp	NT	Communication Equipment
Mellon Financial Corp	MEL	Banks	Northeast Utilities	NU	Electric Utility
Merck & Co Inc	MRK	Pharmaceuticals	Northrop Grumman Corp	NOC	Aerospace and Defense

NORTHWEST AIRLINES CORP	NWAC	Airlines	ProLogis	PLD	REITs
NOVA Chemicals Corp	NCX	Chemicals	Provident Bankshares Corp	PBKS	Regional Banks
Novelis Inc	NVL	Paper	Prudential Financial Inc	PRU	Banks
NStar	NST	Electric Utility	PS Business Parks Inc New	PSB	REITs
NutriSystem Inc	NTRI	Retailers-Specialty	Public Serv Enterprise Grp In	PEG	Electric Utility
Occidental Petroleum Corp	OXY	Domestic Integrated	Public Storage Inc	PSA	REITs
OGE Energy Corp	OGE	Electric Utility	Puget Energy Inc	PSD	Electric Utility
Omnicom Group Inc	OMC	Media/Leisure	Pulte Homes Inc	PHM	Home Building
ON Semiconductor Corp	ONNN	Semiconductors	QLogic Corp	QLGC	Storage Devices
Oneok Inc	OKE	Gas Distribution	Qualcomm Inc	QCOM	Communication Equipment
ONEOK Partners LP	OKS	Gas Transmission	Quintana Maritime Ltd	QMAR	Transport
Open Solutions Inc	OPEN	Software	Qwest Comms Intl Inc	Q	Long Distance
Oracle Corp	ORCL	Software	RadioShack Corp	RSH	Retailers-Specialty
OSI Restaurant Partners Inc	OSI	Restaurants	Radware Ltd	RDWR	Communication Equipment
P.F. Chang's China Bistro Inc	PFCB	Restaurants	Ralcorp Holdings Inc	RAH	Food
PAC ENERGY PRTNR UN	PPX	Gas Transmission	Raytheon Co	RTN	Aerospace and Defense
Pacific Capital Bancorp	PCBC	Regional Banks	Realty Income Corp	O	REITs
Packaging Corp of America	PKG	Paper	Reckson Associates Realty Corp	RA	REITs
Pan Pacific Retail Properties	PNP	REITs	Red Hat Inc	RHAT	Software
Parker Hannifin Corp	PH	Diversified Industrial	Regency Centers Corp	REG	REITs
Parkway Properties Inc	PKY	REITs	RightNow Technologies Inc	RNOW	Software
Patterson Companies Inc	PDCO	Healthcare Services	Rockwell Collins Inc	COL	Aerospace and Defense
Pediatrix Medical Group Inc	PDX	Healthcare Services	Rofin-Sinar Technologies Inc	RSTI	Diversified Industrial
Pemstar Inc	PMTR	Communication Equipment	Rowan Companies Inc	RDC	Oil Services
Peoples Energy Corp	PGL	Gas Distribution	Royal Caribbean Cruises Ltd	RCL	Lodging
Pep Boys-Manny Moe & Jack	PBY	Auto Parts	Royal Dutch Shell Plc	RDS.A	International Integrated
Pepco Holdings Inc	POM	Electric Utility	Ryland Group Inc	RYL	Building Materials
PEPSI BOTTLING GROUP INC	PBG	Beverage	Safeco Corp	SAFC	Insurance
Pepsico Inc	PEP	Beverage	Safeway Inc	SWY	Grocery Stores
Pfizer Inc	PFE	Pharmaceuticals	Saks Inc	SKS	Retailers-Specialty
PG&E Corp	PCG	Electric Utility	Sanderson Farms Inc	SAFM	Food
Phelps Dodge Corp	PD	Metals & Mining	Sanmina-SCI Corp	SANM	Communication Equipment
Pinnacle Airlines Corp	PNCL	Airlines	Sara Lee Corp	SLE	Personal Products
Pinnacle West Capital Corp	PNW	Electric Utility	Schering-Plough Corp	SGP	Pharmaceuticals
PLAINS ALL AMER UN	PAA	Gas Transmission	Schlumberger Ltd	SLB	Oil Services
Plum Creek Timber Co Inc	PCL	REITs	SEAGATE TECHNOLOGY	STX	Storage Devices
Polo Ralph Lauren Corp	RL	Retailers-Specialty	Sears Holdings Corp	SHLD	Retailers-General
Polycom Inc	PLCM	Communication Equipment	Sempra Energy	SRE	Electric Utility
PortalPlayer Inc	PLAY	Semiconductors	Siemens AG	SI	Diversified Industrial
Power Integrations Inc	POWI	Semiconductors	Simon Property Group Inc	SPG	REITs
PPG Industries Inc	PPG	Chemicals	Sirius Satellite Radio Inc	SIRI	Media/Leisure
PPL Corp	PPL	Electric Utility	Skywest Inc	SKYW	Airlines
Praxair Inc	PX	Chemicals	SL Green Realty Corp	SLG	REITs
Premium Standard Farms Inc	PORK	Food	Smith International Inc	SII	Oil Services
Prestige Brands Holdings Inc	PBH	Personal Products	Soletron Corp (Delaware)	SLR	Communication Equipment
Principal Financial Group Inc	PFG	Insurance	Somaxon Pharmaceuticals Inc	SOMX	Pharmaceuticals
Procter & Gamble Co	PG	Personal Products	Sonoco Products Co	SON	Personal Products
Progress Energy Inc	PGN	Electric Utility	Southern Company	SO	Electric Utility
Progressive Corp	PGR	Insurance	Southwest Airlines Co	LUV	Airlines

Southwest Gas Corp	SWX	Gas Distribution	Toll Brothers Inc	TOL	Building Materials
Spanion Inc	SPSN	Semiconductors	Torchmark Corp	TMK	Insurance
Spherion Corp	SFN	Diversified Industrial	Tractor Supply Co	TSCO	Retailers-Specialty
Spirit Finance Corp	SFC	REITs	Transaction Network Servs In	TNS	Financial Electronic Services
Sprint Nextel Corp	S	Long Distance	TRANSOCEAN INC	RIG	Oil Services
St Jude Medical Inc	STJ	Medical Devices	Triad Hospitals Inc	TRI	Healthcare Services
St Paul Travelers Cos In	STA	Insurance	Tribune Co	TRB	Newspapers
Stalnaya Gruppa Mechel	MTL	Metals & Mining	Tupperware Corp	TUP	Personal Products
Standard-Pacific Corp	SPF	Building Materials	Tweeter Home Entertainment Grp	TWTR	Retailers-Specialty
Stanley Works	SWK	Building Materials	TXU Corp	TXU	Electric Utility
Staples Inc	SPLS	Retailers-Specialty	Tyco International Ltd	TYC	Diversified Industrial
Starbucks Corp	SBUX	Restaurants	Ultra Clean Holdings Inc	UCTT	Semiconductors
Starwood Hotels & Resorts Worl	HOT	Lodging	Union Pacific Corp	UNP	Railroads
State Street Corp	STT	Banks	UNISYS CORP	UIS	Computer Hardware
Station Casinos Inc	STN	Lodging	United Natural Foods Inc	UNFI	Food
Sterling Bancshares Inc	SBIB	Regional Banks	United Parcel Service Inc	UPS	Transport
Stryker Corp	SYK	Medical Devices	United States Steel Corp	X	Metals & Mining
SUBRBN PROPANE STK UN	SPH	Gas Distribution	United Technologies Corp	UTX	Diversified Industrial
Sun Life Financial Inc	SLF	Insurance	United Therapeutics Corp	UTHR	Pharmaceuticals
Sun Microsystems Inc	SUNW	Computer Hardware	UnitedHealth Group Inc	UNH	Healthcare Services
Sunoco Inc	SUN	Refiners & Marketers	Univision Communications Inc	UVN	Media/Leisure
Sunoco Logistics Partners LP	SXL	Gas Transmission	US Bancorp	USB	Regional Banks
Sunstone Hotel Investors Inc	SHO	REITs	US SHIP PART UNITS	USS	Gas Transmission
Suntech Power Holdings Co Ltd	STP		USI Holdings Corp	USIH	Insurance
SunTrust Banks Inc	STI	Regional Banks	Valero Energy Corp	VLO	Refiners & Marketers
SupportSoft Inc	SPRT	Software	Valero LP	VLI	Gas Transmission
Susquehanna Bancshares Inc	SUSQ	Regional Banks	Valley National Bancorp	VLY	Regional Banks
Swift Transportation Co Inc	SWFT	Transport	Valor Communications Group Inc	VCG	Local
Sycamore Networks Inc	SCMR	Communication Equipment	ValueClick Inc	VCLK	Media/Leisure
Symantec Corp	SYMC	Software	ValueVision Media Inc	VVTV	Retailers-General
Syntel Inc	SYNT	Imaging & Information	Vector Group Ltd	VGR	Tobacco
Sysco Corp	SYU	Food	Verizon Communications Inc	VZ	Local
T Rowe Price Group Inc	TROW	Securities	Viacom Inc	VIA.B	Media/Leisure
Target Corp	TGT	Retailers-General	Vimicro International Corp	VIMC	Semiconductors
Taubman Centers Inc	TCO	REITs	Vishay Intertechnology Inc	VSH	Communication Equipment
TC PIPELINES LP	TCLP	Gas Transmission	VisICU Inc	EICU	Healthcare Services
Technical Olympic USA Inc	TOA	Home Building	Vistacare Inc	VSTA	Healthcare Services
TECO Energy Inc	TE	Electric Utility	Visteon Corp	VC	Auto Parts
TEEKAY LNG PTNRS UNITS	TGP	Gas Transmission	Volvo AB	VOLV	Auto
Tellabs Inc	TLAB	Communication Equipment	Vornado Realty Trust	VNO	REITs
Temple-Inland Inc	TIN	Paper	Vulcan Materials Co	VMC	Building Materials
Tenet Healthcare Corp	THC	Healthcare Services	Wachovia Corp	WB	Regional Banks
TEPPCO STK UN	TPP	Gas Distribution	Wal-Mart Stores Inc	WMT	Personal Products
Ternium SA	TX	Metals & Mining	Walgreen Co	WAG	Personal Products
Texas Instruments Inc	TXN	Semiconductors	Walt Disney Co	DIS	Media/Leisure
Textron Inc	TXT	Aerospace and Defense	Warner Music Group Corp	WMG	Media/Leisure
Tidewater Inc	TDW	Oil Services	Washington Mutual Inc	WM	Banks
Time Warner Inc	TWX	Media/Leisure	Waste Industries USA Inc	WWIN	Environmental Services
TJX Companies Inc	TJX	Retailers-Specialty	Waste Management Inc	WMI	Environmental Services

Watson Pharmaceuticals Inc	WPI	Pharmaceuticals
WCA Waste Corp	WCAA	Environmental Services
Weatherford International Inc	WFT	Oil Services
WebMD Health Corp	WBMD	Imaging & Information
Weingarten Realty Investors	WRI	REITs
WellPoint Inc	WLP	Healthcare Services
Wells Fargo & Co	WFC	Regional Banks
Wendy's International Inc	WEN	Restaurants
Westar Energy Inc	WR	Electric Utility
Western Digital Corp	WDC	Storage Devices
WEYERHAEUSER CO	WY	Paper
Whole Foods Market Inc	WFMI	Food
Williams Companies Inc	WMB	Gas Transmission
WILLIAMS PRTRNS UNITS	WPZ	Gas Transmission
Williams-Sonoma Inc	WSM	Retailers-Specialty
Wind River Systems Inc	WIND	Semiconductors
Windrose Medical Properties Tr	WRS	REITs
Wisconsin Energy Corp	WEC	Electric Utility
Wolverine World Wide Inc	WWW	Retailers-Specialty
World Fuel Services Corp	INT	Paper
WPS Resources Corp	WPS	Electric Utility
Wyeth	WYE	Pharmaceuticals
Xcel Energy Inc	XEL	Electric Utility
XenoPort Inc	XNPT	Pharmaceuticals
Xerox Corp	XRX	Imaging & Information
XL Capital Ltd	XL	Insurance
XM Satellite Radio Hldgs In	XMSR	Media/Leisure
Yahoo! Inc	YHOO	Media/Leisure
Yum! Brands Inc	YUM	Restaurants
Zimmer Holdings Inc	ZMH	Medical Devices

<u>Security</u> <u>Name</u>	<u>Stock</u> <u>Symbol</u>	<u>12</u> <u>Month</u> <u>Rating</u>	<u>Earning Per Share</u>			<u>EPS</u> <u>Growth</u> <u>Next 5 yrs</u> <u>(%)</u>	<u>Price</u>				<u>2006</u> <u>P/E Ratio</u>	<u>Price/</u> <u>Sales</u> <u>Ratio</u>	<u>Dividend</u>		<u>Debt/</u> <u>Total</u> <u>Cap</u> <u>(%)</u>	<u>Financial</u> <u>Strength</u>	<u>Beta</u>
			<u>2007</u> <u>(Est)</u>	<u>2006</u> <u>(Est)</u>	<u>2005</u>		<u>Recent</u>	<u>12 Mo.</u> <u>High</u>	<u>12 Mo.</u> <u>Low</u>	<u>12 Mo.</u> <u>Target</u>			<u>Annual</u> <u>Rate</u>	<u>Yield</u> <u>(%)</u>			
<b>BASIC MATERIALS</b>																	
<b>Chemicals</b>																	
Air Products and Chemicals Inc	APD	BUY	3.83	3.45	\$3.00	10	\$64.91	\$70	\$53	\$77	18.8	1.70	\$1.36	2.1	34.5	MH	1.09
Celanese Corp	CE	BUY	2.80	2.70	2.24	10	20.50	23	16	23	7.6	0.52	0.16	0.8	92.0	ML	
CF Industries Holdings Inc	CF	HOLD	0.95	0.85	-0.71	7	13.80	19	11		16.2		0.08	0.6	0.5	MH	
Dow Chemical Co	DOW	BUY	4.75	4.75	4.62	8	38.25	49	37	49	8.1	0.79	1.50	3.9	39.1	ML	1.40
E I du Pont de Nemours and Co	DD	BUY	3.09	2.80	2.07	6	40.77	46	38	50	14.6	1.41	1.48	3.6	46.5	MH	1.11
Eastman Chemical Co	EMN	BUY	4.86	5.05	6.81	6	53.44	58	44	64	10.6	0.62	1.76	3.3	50.2	ML	1.35
Lyondell Chemical Co	LYO	BUY	3.15	3.48	2.04	7	22.92	30	19	30	6.6	0.30	0.90	3.9	66.4	ML	1.60
Monsanto Co	MON	HOLD	3.21	2.61	0.94	12	84.00	90	56		32.2	3.14	0.80	1.0	23.7	M	1.31
NOVA Chemicals Corp	NCX	BUY	3.78	2.47	1.26	5	29.30	40	27	42	11.9	0.43	0.34	1.2	62.6	M	1.48

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
PPG Industries Inc	PPG	BUY	5.16	5.03	\$3.49	10	\$66.59	\$69	\$56	\$76	13.2	1.07	\$1.92	2.9	28.7	MH	1.18
Praxair Inc	PX	BUY	3.38	2.80	2.20	8	54.68	58	45	64	19.5	2.25	1.00	1.8	45.7	M	1.22
<b>Environmental Services</b>																	
Allied Waste Industries Inc	AW	HOLD	0.56	0.47	0.46	7	10.40	14	8		22.1	0.65			67.3	L	1.08
<b>Metals &amp; Mining</b>																	
Alcoa Inc	AA	BUY	3.25	3.12	1.40	10	31.78	37	22	40	10.2	0.94	0.60	1.9	30.8	MH	1.49
Alliance Resource Partners LP	ARLP	BUY	4.35	4.00	3.99	8	37.07	48	34	45	9.3	1.53	1.84	5.0	51.0	ML	1.17
Alpha Natural Resources Inc	ANR	BUY	2.20	1.80	0.38	28	18.40	33	18	29	10.2	0.67	0.00	0.0	70.3	M	
Arch Coal Inc	ACI	BUY	3.40	2.12	0.18	8	40.26	56	25	61	19.0	2.26	0.16	0.4	45.3	ML	1.58
Ashland Inc	ASH	BUY	3.96	3.68	2.63	10	66.13	75	50	76	18.0	0.49	1.10	1.7	2.5	MH	1.12
Barrick Gold Corp	ABX	BUY	1.94	1.49	0.75	12	30.55	36	23	41	20.5	8.44	0.22	0.7	31.9	H	1.08
Coeur D'Alene Mines Corp	CDE	BUY	0.35	0.28	0.01	15	4.88	7	3	6	17.4	6.82			34.7	M	1.84
Foundation Coal Holdings Inc	FCL	HOLD	2.65	2.29	1.92	24	45.27	57	25		19.8	1.47	0.20	0.4	65.2	MH	
Freeport-McMoRan Copper & Gold	FCX	HOLD	4.16	4.81	4.67	5	56.89	72	38		11.8	2.40	1.25	2.2	37.8	ML	1.92
Inco Ltd	N	BUY	3.98	3.95	3.75	8	65.86	71	39	77	16.7	2.84	0.50	0.8	29.5	M	1.67
NATL RSC PTNRS UN	NRP	HOLD	3.20	3.00	3.39	8	54.10	69	49		18.0	5.38	3.16	5.8	35.2	M	1.28
Newmont Mining Corp	NEM	HOLD	2.24	1.90	0.84	6	55.50	63	37		29.2	5.03	0.40	0.7	17.2	M	1.16
Phelps Dodge Corp	PD	SELL	8.02	9.50	7.69	2	81.75	103	49		8.6	1.85	0.80	1.0	9.6	M	1.64
Stalnaya Gruppa Mechel	MTL	HOLD	3.32	3.06	2.85	8	20.90	37	19		6.8		1.20	5.7		ML	
Ternium SA	TX	BUY	3.80	3.23	3.55	12	23.60	30	20	28	7.3				6.5	MH	
United States Steel Corp	X	HOLD	7.31	8.64	7.00	8	69.53	78	34		8.0	0.54	0.40	0.6	34.0	M	2.42
<b>Paper</b>																	
Bowater Inc	BOW	HOLD	0.96	-0.28	-2.10	3	22.17	34	21		-79.2	0.35	0.80	3.6	66.0	L	1.39
Chesapeake Corp	CSK	HOLD	0.73	0.32	0.47	10	16.39	23	13		51.2	0.32	0.88	5.4	59.5	ML	1.27
International Paper Co	IP	HOLD	1.74	1.28	2.21	10	32.61	38	27		25.5	0.66	1.00	3.1	58.8	ML	1.23
Novelis Inc	NVL	HOLD	0.86	0.75	0.71	5	21.00	29	16		28.0		0.36	1.7		L	
Packaging Corp of America	PKG	BUY	1.35	0.96	0.49	5	21.92	24	18	27	22.8	1.13	1.00	4.6	50.5	M	1.24
WEYERHAEUSER CO	WY	HOLD	4.26	3.86	2.98	10	59.95	76	57		15.5	0.65	2.00	3.3	46.9	ML	1.21
World Fuel Services Corp	INT	HOLD	2.65	2.15	1.57	16	48.99	53	23		22.8	0.14	0.15	0.3	5.5	H	1.32
<b>CONSUMER DISCRETIONARY</b>																	
<b>Auto</b>																	
DaimlerChrysler AG	DCX	HOLD	5.05	4.15	3.32	6	49.07	60	41		11.8		1.82	3.7		ML	1.15
Ford Motor Co	F	SELL	0.60	0.48	1.04	5	6.80	11	6		14.2	0.07	0.40	5.9	91.7	L	1.50
General Motors Corp	GM	SELL	2.00	1.00	-15.13	3	29.50	38	18		29.5	0.08	1.00	3.4	94.8	L	1.19
Harley-Davidson Inc	HDI	BUY	4.05	3.70	3.41	10	54.40	56	44	60	14.7	2.55	0.84	1.5	28.1	H	1.30
International Speedway Corp	ISCA	BUY	3.32	3.20	2.99	9	44.73	60	44	60	14.0	3.10	0.08	0.2	26.2	M	0.79
Keystone Automotive Inds In	KEYS	SELL	2.00	1.38	0.90	9	40.77	47	25		29.5	1.06			4.1	H	1.58
Volvo AB	VOLV	Buy	5.57	5.23	4.15	12	51.16	54	38	56	9.8		2.27	4.4		M	1.22
<b>Auto Parts</b>																	
Advance Auto Parts Inc	AAP	BUY	2.81	2.40	2.13	8	29.29	48	28	48	12.2	0.71	0.24	0.8	34.7	MH	0.86
Aftermarket Technology Corp	ATAC	HOLD	1.64	1.56	1.48	12	24.85	27	16		15.9	1.16			29.1	M	1.20

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
Autonation Inc	AN	BUY	1.76	1.60	\$1.45	10	\$20.41	\$23	\$18	\$26	12.8	0.23			10.1	MH	1.00
AutoZone Inc	AZO	HOLD	8.00	7.55	7.18	8	85.80	104	78		11.4	1.08	0.00	0.0	82.6	MH	0.88
Dana Corp	DCNAQ	SELL				6	2.70	17	1			0.04	0.04	1.5	82.9	M	2.53
Delphi Corp	DPHIQ	SELL				4	1.50	7	0			0.03	0.28	18.7	-825.5	ML	2.46
Genuine Parts Co	GPC	BUY	3.00	2.70	2.50	8	42.67	47	40	50	15.8	0.74	1.35	3.2	15.4	MH	1.02
Goodyear Tire & Rubber Co	GT	BUY	1.70	1.40	1.16	7	10.64	19	10	20		0.10			86.3	ML	1.71
Lear Corp	LEA	SELL	1.50	1.05	-20.57	2	21.45	45	16		20.4	0.08	0.00	0.0	67.2	M	1.30
Pep Boys-Manny Moe & Jack	PBY	SELL	-0.05	-0.69	0.41	4	11.29	17	11		-16.4	0.27	0.27	2.4	49.7	M	1.68
Visteon Corp	VC	BUY	-0.87	-1.65	-2.14	3	7.48	11	4	9	-4.5	0.06	0.00	0.0	91.5	L	2.93
<b>Home Building</b>																	
Technical Olympic USA Inc	TOA	HOLD	3.25	3.90	3.68	10	13.41	30	13		3.4	0.31	0.06	0.4	48.6	ML	1.47
<b>Lodging</b>																	
Carnival Corp	CCL	HOLD	3.21	2.76	2.70	14	41.67	56	36		15.1	2.36	1.00	2.4	30.2	MH	1.16
Choice Hotels Intl In	CHH	BUY	1.78	1.52	1.32	15	61.62	62	30	60	40.5	8.17	0.52	0.8	256.3	M	0.59
Four Seasons Hotels Inc	FS	HOLD	1.79	1.39	0.96	20	60.26	70	47		43.4		0.11	0.2		MH	0.86
Harrah's Entertainment Inc	HET	BUY	4.36	3.89	3.44	14	66.83	83	57	90	17.2	1.50	1.45	2.2		L	1.01
Hilton Hotels Corp	HLT	BUY	1.35	1.13	1.13	14	27.93	29	19	33	24.7	2.20	0.16	0.6	57.0	M	1.03
International Game Technology	IGT	BUY	1.59	1.37	1.20	15	36.91	39	25	46	26.9	5.11	0.50	1.4	29.9	MH	1.21
Las Vegas Sands Corp	LVS	BUY	1.89	1.39	1.16	18	74.71	79	29	84	53.7	14.17			50.4	M	
Marriott International Inc	MAR	BUY	1.80	1.54	1.61	16	37.50	38	29	41	24.4	1.32	0.21	0.6	34.7	MH	1.03
MGM MIRAGE	MGM	BUY	2.38	1.94	1.62	14	37.90	47	35	54	19.5	1.51			79.3	L	1.13
Morgans Hotel Group Co	MHGC	BUY	0.54	0.39	0.07	18	15.51	20	12	20	39.8				119.9	M	
Royal Caribbean Cruises Ltd	RCL	HOLD	3.42	3.10	3.03	14	37.09	49	35		12.0	1.61	0.60	1.6	42.8	MH	0.94
Starwood Hotels & Resorts Worl	HOT	BUY	2.75	2.32	1.88	15	59.21	64	44	70	25.5	2.14	0.84	1.4	44.2	ML	1.05
Station Casinos Inc	STN	BUY	3.08	2.74	2.40	15	65.93	81	61	89	24.1	3.67	1.00	1.5	75.5	L	0.93
<b>Media/Leisure</b>																	
Arbitron Inc	ARB	HOLD	1.80	1.72	2.14	11	37.83	44	33		22.0	3.72	0.40	1.1	35.1	MH	0.97
Audible Inc	ADBL	HOLD	0.25	0.10	-0.02	28	8.41	20	8		84.1	2.94				M	1.79
Boyd Gaming Corp	BYD	BUY	3.02	2.75	1.78	16	38.99	55	37	60	14.2	1.52	0.54	1.4	70.0	L	1.33
Cablevision Systems Corp	CVC	HOLD	-0.12	-0.29	-0.43	12	21.75	32	18		-75.0	1.17			132.5	L	0.48
CBS Corp	CBS	HOLD	1.83	1.75	1.59	7	27.43	28	22		15.7		0.64	2.3	26.7	M	1.14
CEDAR FAIR ADR UN	FUN	HOLD	1.91	1.77	1.59	11	25.34	33	25		14.3	2.41	1.88	7.4	52.0	M	0.62
Clear Channel Comms In	CCU	BUY	1.58	1.43	1.16	12	30.49	33	27	38	21.3	1.83	0.75	2.5	43.6	ML	0.73
Comcast Corp	CMCSA	HOLD	0.97	0.79	0.42	15	32.40	34	25		41.0	1.94			36.4	M	0.78
COX RADIO INC	CXR	BUY	0.83	0.74	0.61	12	14.90	17	13	18	20.1	3.33			24.0	M	0.86
EchoStar Communications Corp	DISH	HOLD	2.05	1.85	3.22	17	30.46	32	24		16.5	1.56			117.1	L	0.65
Emmis Communications Corp	EMMS	SELL	0.24	-0.01	0.84	11	14.90	24	12		-1,490.0	1.76			63.2	ML	0.26
Entercom Communications Corp	ETM	SELL	1.61	1.48	1.70	8	26.01	35	25		17.6	2.43	1.52	5.8	39.5	ML	0.95
IAC/InterActiveCorp	IACI	HOLD	1.85	1.53	1.33	15	25.20	32	23		16.5	1.41			14.8	MH	1.70
Interpublic Grp of Cos In	IPG	BUY	0.28	-0.16	-0.68	15	8.22	13	8	12	-51.4	0.57			52.9	L	0.86
Liberty Media Holding Corp	LINTA	BUY	0.58	0.52	0.43	14	17.16	21	16	25	33.0					ML	
Liberty Media(CAP SR A ORD)	LCAPA	HOLD	-2.02	-1.92	-2.58		84.16	86	70		-43.8					L	

<u>Security Name</u>	<u>Stock Symbol</u>	<u>12 Month Rating</u>	<u>Earning Per Share</u>			<u>EPS Growth Next 5 yrs (%)</u>	<u>Price</u>				<u>2006 P/E Ratio</u>	<u>Price/Sales Ratio</u>	<u>Dividend</u>		<u>Debt/Total Cap (%)</u>	<u>Financial Strength</u>	<u>Beta</u>
			<u>2007 (Est)</u>	<u>2006 (Est)</u>	<u>2005</u>		<u>Recent</u>	<u>12 Mo. High</u>	<u>12 Mo. Low</u>	<u>12 Mo. Target</u>			<u>Annual Rate</u>	<u>Yield (%)</u>			
Lions Gate Entertainment Corp	LGF	BUY	0.35	0.04	\$0.20	26	\$8.62	\$11	\$7	\$11	215.5					M	1.33
McGraw-Hill Companies Inc	MHP	BUY	2.69	2.35	2.20	10	51.69	60	44	62	22.0	3.02	0.73	1.4	0.1	MH	0.75
News Corp	NWS	BUY	0.96	0.87	0.69	15	20.11	21	15	25	23.1	0.81	0.10	0.5	27.1	M	0.94
Omnicom Group Inc	OMC	HOLD	5.40	4.88	4.36	11	87.55	97	76		17.9	1.40	1.00	1.1	36.6	M	0.92
Sirius Satellite Radio Inc	SIRI	SELL	-0.52	-0.88	-0.69		4.32	8	4		-4.9	18.63			76.9	L	1.25
Time Warner Inc	TWX	BUY	1.09	0.95	0.80	15	16.56	19	16	23	17.4	1.63	0.20	1.2	22.9	M	0.69
Univision Communications Inc	UVN	SELL	1.19	1.06	0.85	17	33.17	37	24		31.3	5.15			23.0	MH	0.51
ValueClick Inc	VCLK	BUY	0.72	0.60	0.45	30	14.42	21	12	22	24.0	4.00			0.0	M	1.92
Viacom Inc	VIA.B	HOLD	2.27	1.97	1.63	12	35.40	45	34		18.0				42.5	M	
Walt Disney Co	DIS	BUY	1.58	1.41	1.22	12	30.25	31	23	35	21.5	2.31	0.27	0.9	31.2	MH	0.87
Warner Music Group Corp	WMG	HOLD	0.45	0.25	0.26	14	30.08	31	15		120.3	1.28	0.52	1.7	96.2	ML	
XM Satellite Radio Hldgs In	XMSR	HOLD	-1.80	-2.12	-3.25		14.04	37	13		-6.6	5.47			93.0	L	1.30
Yahoo! Inc	YHOO	BUY	0.67	0.51	0.58	20	33.17	44	29	44	65.0	8.27			8.1	H	1.56
<b>Newspapers</b>																	
Dow Jones & Company Inc	DJ	BUY	1.50	1.16	0.98	15	34.91	43	33	48	30.1	1.61	1.00	2.9	74.4	ML	0.83
EW Scripps Co	SSP	BUY	2.34	2.05	1.90	12	42.85	51	42	56	20.9	2.16	0.44	1.0	25.8	MH	0.41
Gannett Co Inc	GCI	HOLD	5.13	5.00	4.92	5	56.91	75	53		11.4	1.73	1.16	2.0	41.7	M	0.73
New York Times Co	NYT	BUY	1.71	1.61	1.53	7	24.37	35	23	35	15.1	1.04	0.66	2.7	45.0	M	0.82
Tribune Co	TRB	HOLD	2.30	2.08	2.07	5	32.60	40	27		15.7	1.77	0.72	2.2	38.0	M	0.67
<b>Restaurants</b>																	
Brinker International Inc	EAT	HOLD	2.55	2.19	2.12	11	34.94	43	34		16.0	0.72	0.40	1.1	27.1	M	0.89
Burger King Holdings Inc	BKC	HOLD		0.42	0.44	11	15.29	19	15		36.4				73.7	ML	
CBRL Group Inc	CBRL	SELL	2.75	2.40	2.45	12	33.61	48	33		14.0	0.39	0.52	1.5	19.6	MH	0.98
Cheesecake Factory Inc	CAKE	BUY	1.44	1.20	1.09	20	25.46	39	25	44	21.2	1.66				MH	0.82
Chipotle Mexican Grill Inc	CMG	SELL	1.09	0.92	0.82	16	55.18	68	22		60.0				0.0	MH	
Darden Restaurants Inc	DRI	BUY	2.36	2.16	1.78	12	37.19	43	28	47	17.2	0.96	0.40	1.1	35.9	M	1.02
McDonald's Corp	MCD	BUY	2.42	2.21	2.04	10	34.28	37	29	42	15.5	2.06	0.67	2.0	40.1	MH	0.86
OSI Restaurant Partners Inc	OSI	HOLD	2.22	1.97	1.95	10	33.60	48	33		17.1	0.68	0.52	1.5	13.1	MH	0.79
P.F. Chang's China Bistro Inc	PFCB	HOLD	1.62	1.33	1.40	20	35.85	65	35		27.0	1.13			17.0	M	0.90
Starbucks Corp	SBUX	BUY	0.87	0.72	0.61	22	35.98	40	23	43	50.0	3.90			11.8	H	0.96
Wendy's International Inc	WEN	SELL	2.70	2.34	2.14	9	60.15	66	44		25.7	1.84	0.68	1.1	23.3	MH	1.03
Yum! Brands Inc	YUM	HOLD	3.14	2.84	2.55	10	50.21	54	46		17.7	1.46	0.46	0.9	56.2	M	0.80
<b>Retailers-General</b>																	
Federated Department Stores In	FD	HOLD	1.96	3.16	1.93	9	36.44	40	29		11.5	0.81	0.51	1.4	43.0	ML	1.12
Fortune Brands Inc	FO	HOLD	5.89	5.30	4.62	13	72.47	90	68		13.7	1.42	1.44	2.0	59.2	M	0.92
JC Penney Co Inc	JCP	HOLD	4.40	4.26	2.20	14	68.97	69	44		16.2	0.86	0.72	1.0	46.4	M	0.91
Sears Holdings Corp	SHLD	HOLD	8.00	5.59		12	156.45	168	112		28.0	0.46			21.7	ML	1.39
Target Corp	TGT	BUY	3.13	2.71	2.07	14	50.14	60	47	62	18.5	0.80	0.40	0.8	41.0	M	0.83
ValueVision Media Inc	VVTV	HOLD	-0.10	-0.37	-1.10	10	10.55	14	9		-28.5	0.55			0.1	ML	1.28
<b>Retailers-Specialty</b>																	
Abercrombie & Fitch Co	ANF	HOLD	4.27	3.66	2.28	14	55.62	73	44		15.2	1.69	0.70	1.3	5.6	MH	1.13
Amazon.com Inc	AMZN	HOLD	0.81	0.55	0.84	20	35.66	50	32		64.8	1.68			86.1	ML	1.31

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
Bed Bath & Beyond Inc	BBBY	BUY	2.17	1.92	\$1.65	18	\$32.39	\$47	\$32	\$46	16.9	1.53				H	1.05
Best BUY Co Inc	BBY	HOLD	2.79	2.27	1.86	14	50.62	60	40		22.3	0.77	0.32	0.6	10.2	MH	1.40
Blockbuster Inc	BBI	SELL	0.28	0.12	-3.20	5	4.63	9	3		38.6	0.15			64.7	L	0.48
Blue Nile Inc	NILE	HOLD	0.95	0.74	0.71	27	32.21	44	28		43.5	2.67				MH	1.07
Central Garden & Pet Co	CENT	BUY	3.40	2.92	2.50	14	42.18	56	39	61	14.4	0.64			37.3	M	1.20
Circuit City Stores Inc	CC	SELL	1.07	0.77	0.31	10	25.40	32	15		33.0	0.37	0.07	0.3	4.0	ML	1.27
Dress Barn Inc	DBRN	BUY	1.32	1.12	0.54	17	24.97	28	11	30	22.3	1.22			35.2	M	0.98
eBay Inc	EBAY	BUY	1.24	0.99	0.86	29	27.80	48	27	53	28.1	7.98				H	1.46
Gap Inc	GPS	HOLD	1.24	1.24	1.21	12	17.29	22	16		13.9	0.91	0.32	1.9	8.6	M	1.06
Herbalife Ltd	HLF	HOLD	2.35	1.91	1.52	14	36.82	41	22		19.3	1.57			60.9	M	
Home Depot Inc	HD	BUY	3.07	2.72	2.26	14	34.38	44	34	50	12.6	0.85	0.60	1.7	13.2	H	1.16
Hot Topic, Inc	HOTT	SELL	0.70	0.54	0.49	7	12.51	20	11		23.2	0.76				ML	1.14
InPhonic Inc	INPC	SELL	0.46	0.33	-1.10	30	5.95	18	5		18.0	0.64			13.7	L	
Joseph A Bank Clothiers Inc	JOSB	BUY	2.48	2.16	1.95	21	26.00	48	22	37	12.0	0.97			21.0	MH	1.59
Kohl's Corp	KSS	HOLD	2.95	2.43	2.04	17	58.99	60	43		24.3	1.45			16.2	M	0.74
Limited Brands Inc	LTD	HOLD	1.62	1.66	1.47	9	25.44	28	19		15.3	1.03	0.60	2.4	40.1	M	0.93
Liz Claiborne Inc	LIZ	BUY	3.30	3.00	2.94	11	35.56	43	33	45	11.9	0.77	0.23	0.6	18.9	MH	0.84
Lowe's Companies Inc	LOW	BUY	2.09	1.72	1.36	17	28.53	35	28	38	16.6	0.98	0.12	0.4	19.8	MH	1.22
Maidenform Brands Inc	MFB	HOLD	1.19	1.04	0.94	13	13.29	21	8		12.8	0.80			72.3	M	
MarineMax, Inc	HZO	BUY	2.47	2.14	1.88	14	25.27	37	22	39	11.8	0.47			38.8	MH	1.74
Movie Gallery Inc	MOVI	SELL	0.28	1.04	-17.53	5	2.90	34	2		2.8	0.05			122.3	L	1.27
New York & Company Inc	NWY	HOLD	0.93	0.82	1.02	14	10.67	24	9		13.0	0.52			17.3	M	1.53
NIKE Inc	NKE	BUY	5.75	5.39	4.48	14	78.59	92	77	100	14.6	1.36	1.24	1.6	10.1	H	0.87
Nordstrom Inc	JWN	HOLD	2.27	1.98	1.85	12	37.36	43	30		18.9	1.26	0.42	1.1	30.9	M	1.13
NutriSystem Inc	NTRI	BUY	2.65	1.85	0.59	27	64.41	76	15	75	34.8	7.21			0.5	H	1.76
Polo Ralph Lauren Corp	RL	BUY	3.09	2.87	2.44	13	51.69	63	46	70	18.0	1.46	0.20	0.4	12.0	H	1.10
RadioShack Corp	RSH	HOLD	1.76	1.45	1.78	9	17.04	27	14		11.8	0.45	0.25	1.5	47.6	M	0.97
Saks Inc	SKS	HOLD	0.31	0.15	0.42	8	15.87	25	15		105.8	0.40			26.8	ML	1.14
Staples Inc	SPLS	HOLD	1.26	1.04	0.93	15	24.00	28	20		23.1	1.06	0.22	0.9	10.7	M	1.11
TJX Companies Inc	TJX	HOLD	1.46	1.41	1.21	12	23.90	26	20		17.0	0.67	0.28	1.2	29.9	M	0.95
Tractor Supply Co	TSCO	BUY	2.92	2.43	1.98	21	50.40	68	41	72	20.7	0.93			2.4	MH	1.36
Tweeter Home Entertainment Grp	TWTR	BUY	0.27	0.14	-2.59	14	4.99	9	3	11	35.6	0.16			46.5	L	0.66
Williams-Sonoma Inc	WSM	HOLD	1.95	1.81	1.60	17	32.61	45	31		18.0	1.04	0.40	1.2	2.9	MH	1.21
Wolverine World Wide Inc	WWW	HOLD	1.56	1.39	1.27	14	23.25	25	19		16.7	1.26	0.30	1.3	6.6	MH	1.16
<b>CONSUMER STAPLES</b>																	
<b>Beverage</b>																	
Anheuser-Busch Companies Inc	BUD	BUY	2.58	2.36	2.44	10	46.22	47	40	52	19.6	2.35	1.08	2.3	70.5	MH	0.65
Coca-Cola Co	KO	BUY	2.51	2.30	2.18	9	43.81	45	39	51	19.0	4.49	1.24	2.8	25.8	H	0.80
Coca-Cola Enterprises Inc	CCE	BUY	1.42	1.31	1.29	9	21.01	24	19	26	16.0	0.53	0.24	1.1	64.7	M	0.68
Molson Coors Brewing Co	TAP	HOLD	5.15	4.25	3.95	10	69.58	74	61		16.4	1.00	1.28	1.8	31.5	M	0.68
PEPSI BOTTLING GROUP INC	PBG	BUY	2.06	1.85	1.86	10	33.96	35	27	36	18.4	0.65	0.44	1.3	66.1	M	0.75
Pepsico Inc	PEP	BUY	3.30	2.92	2.66	12	61.59	62	54	72	21.1	3.07	1.04	1.7	26.7	H	0.61

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
<b>Food</b>																	
Campbell Soup Co	CPB	HOLD	1.90	1.80	\$1.71	6	\$37.91	\$38	\$28		21.1	2.02	\$0.72	1.9	70.2	M	0.77
Domino's Pizza Inc	DPZ	HOLD	1.78	1.58	1.46	10	24.50	29	21		15.5	1.11	0.48	2.0	325.4	ML	1.06
General Mills Inc	GIS	BUY	3.06	2.98	2.75	8	52.79	53	45	56	17.7	1.61	1.36	2.6	46.7	M	0.64
Hershey Co	HSY	BUY	2.82	2.58	2.28	11	56.34	65	48	67	21.8	2.76	0.98	1.7	63.3	MH	0.64
HJ Heinz Co	HNZ	HOLD	2.30	2.10	2.21	5	42.37	44	33		20.2	1.56	1.40	3.3	67.0	M	0.91
Kellogg Co	K	BUY	2.71	2.47	2.36	11	48.95	49	42	52	19.8	1.86	1.16	2.4	68.2	ML	0.73
Kraft Foods Inc	KFT	BUY	2.02	1.89	1.88	7	30.33	33	27	34	16.0	1.47	0.92	3.0	26.3	MH	0.79
Kroger Co	KR	HOLD	1.55	1.42	1.31	9	22.02	22	18		15.5	0.26	0.26	1.2	62.2	ML	0.86
Premium Standard Farms Inc	PORK	BUY	1.47	1.81	2.18	-4	17.20	19	13	20	9.5	0.60	0.24	1.4	21.8	MH	
Ralcorp Holdings Inc	RAH	HOLD	2.47	2.17	2.34	9	42.30	45	34		19.5	0.64			46.9	M	0.70
Sanderson Farms Inc	SAFM	BUY	2.75	0.54	3.51	9	27.66	49	20	36	51.2	0.58	0.48	1.7	3.1	MH	0.80
Sysco Corp	SYF	BUY	1.64	1.42	1.47	12	31.07	37	29	36	21.9	0.60	0.68	2.2	34.2	MH	0.70
United Natural Foods Inc	UNFI	BUY	1.29	1.08	1.00	18	32.33	36	25	38	29.9	0.58			39.7	ML	1.24
Whole Foods Market Inc	WFMI	HOLD	1.70	1.40	1.22	19	63.21	80	59		45.2	1.69	0.60	0.9	1.4	MH	1.22
<b>Grocery Stores</b>																	
Safeway Inc	SWY	HOLD	1.74	1.61	1.48	8	25.20	26	22		15.7	0.29	0.20	0.8	56.4	ML	1.13
<b>Personal Products</b>																	
AptarGroup Inc	ATR	HOLD	3.09	2.82	2.77	10	50.41	57	47		17.9	1.25	0.80	1.6	23.3	MH	0.96
Colgate-Palmolive Co	CL	BUY	3.18	2.87	2.63	11	61.64	62	50	67	21.5	2.75	1.28	2.1	71.9	MH	0.79
Costco Wholesale Corp	COST	HOLD	2.65	2.32	2.18	12	56.73	58	41		24.5	0.47	0.52	0.9	7.9	MH	0.77
CVS Corp	CVS	BUY	1.86	1.52	1.45	14	31.98	32	24	35	21.0	0.69	0.16	0.5	20.8	M	0.99
Kimberly-Clark Corp	KMB	BUY	4.17	3.90	3.85	8	60.87	65	56	68	15.6	1.74	1.96	3.2	36.3	MH	0.69
Prestige Brands Holdings Inc	PBH	SELL	0.79	0.53	-0.55	11	9.97	21	8		18.8	1.68			54.9	ML	
Procter & Gamble Co	PG	BUY	3.03	2.62	2.53	11	57.25	63	53	69	21.9	2.91	1.24	2.2	58.2	H	0.56
Sara Lee Corp	SLE	HOLD	1.25	1.19	1.48	7	16.62	21	16		14.0	0.73	0.79	4.8	61.2	M	0.79
Sonoco Products Co	SON	HOLD	2.20	2.00	1.92	6	32.13	35	25		16.1	0.90	0.96	3.0	38.2	M	1.03
Tupperware Corp	TUP	BUY	1.98	1.76	1.49	10	19.62	25	19	27	11.1	0.86	0.88	4.5	69.1	ML	1.19
Wal-Mart Stores Inc	WMT	HOLD	2.92	2.68	2.41	13	46.13	51	42		17.2	0.60	0.67	1.5	41.5	MH	0.79
Walgreen Co	WAG	BUY	2.05	1.71	1.52	16	46.80	49	40	52	27.4	1.03	0.26	0.6		MH	0.71
<b>Retailers-Specialty</b>																	
BJ's Wholesale Club Inc	BJ	SELL	1.91	1.87	1.63	10	26.22	33	25		14.0	0.22			1.2	MH	1.27
<b>Tobacco</b>																	
Altria Group Inc	MO	BUY	5.64	5.31	5.10	7	77.95	79	65	86	14.7	2.35	3.20	4.1	37.7	M	1.00
Vector Group Ltd	VGR	HOLD	1.10	0.96	0.88	10	16.30	21	15		17.0	1.65	1.60	9.8	88.3	ML	0.93
<b>ENERGY</b>																	
Suntech Power Holdings Co Ltd	STP	HOLD	0.89	0.52	0.30	43	25.98	46	15		50.0				55.7	M	
<b>Domestic Integrated</b>																	
ConocoPhillips	COP	BUY	10.80	9.75	9.63	8	67.91	73	57	95	7.0	0.59	1.44	2.1	18.8	H	1.33

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta	
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)				
Devon Energy Corp	DVN	BUY	8.65	6.70	\$6.68	7	\$61.36	\$70	\$49	\$85	9.2	2.43	\$0.45	0.7	30.8	M	1.09	
Hess Corp	HES	BUY	5.95	7.27	3.98	7	54.78	56	37	60	7.5	0.62	0.40	0.7	37.6	M	1.38	
Marathon Oil Corp	MRO	BUY	10.50	10.00	9.02	6	88.63	89	54	100	8.9	0.52	1.60	1.8	24.8	MH	1.35	
MURPHY OIL CORP	MUR	HOLD	5.00	4.00	3.43	10	55.65	60	41		13.9	0.85	0.45	0.8	15.1	H	1.14	
Occidental Petroleum Corp	OXY	BUY	11.55	10.85	9.69	6	102.00	109	69	120	9.4	2.65	1.44	1.4	16.0	MH	1.37	
<b>Gas Transmission</b>																		
BUCKEYE PARTNERS STK UN	BPL	BUY	3.15	2.90	2.69	6	41.57	51	41	50	14.3	3.92	3.00	7.2	53.6	ML	0.60	
El Paso Corp	EP	BUY	1.10	1.05	-1.13	8	15.49	16	11	19	14.8	2.36	0.16	1.0	84.2	M	1.28	
Enbridge Energy Partners LP	EEP	HOLD	2.20	2.50	1.06	4	44.02	57	42		17.6	0.31	3.70	8.4	57.8	ML	0.63	
ENERGY TRANSFER UNIT	ETP	BUY	3.00	2.90	1.79	10	45.00	46	31	45	15.5	0.61	2.35	5.2	55.8	ML	0.63	
ENTERPRISE GP UNITS	EPE	HOLD	1.52	1.05	0.70	14	32.15	41	28		30.6		1.12	3.5	46.8	M		
ENTRP PROD PRTRN UN	EPD	BUY	1.25	1.15	0.91	10	25.51	28	23	31	22.2	0.80	1.78	7.0	45.5	M	0.77	
Kinder Morgan Inc	KMI	HOLD	5.45	4.95	4.45	10	99.98	104	81		20.2	2.85	3.50	3.5	59.8	M	0.87	
KINDER MORGAN STK UN	KMP	BUY	2.40	2.35	2.37	9	46.02	55	44	50	19.6	0.71	3.20	7.0	59.3	ML	0.56	
ONEOK Partners LP	OKS	BUY	3.30	3.00	2.93	7	50.76	52	41	54	16.9	3.42	3.52	6.9	56.6	ML	0.61	
PAC ENERGY PRTRN UN	PPX	HOLD	1.70	1.60	1.42	7	33.59	36	28		21.0	5.38	2.27	6.8	44.8	ML	0.72	
PLAINS ALL AMER UN	PAA	HOLD	3.00	2.90	3.47	7	44.60	49	39		15.4	0.10	2.83	6.3	50.0	ML	0.78	
Sunoco Logistics Partners LP	SXL	BUY	2.95	2.70	2.40	8	41.40	44	37	49	15.3	0.18	3.00	7.2	40.5	ML	0.56	
TC PIPELINES LP	TCLP	HOLD	2.80	2.70	2.70	4	32.49	38	31		12.0	10.89	2.30	7.1	4.3	M	0.70	
TEEKAY LNG PTNRS UNITS	TGP	BUY	1.25	1.10	0.68	10	30.90	35	27	35	28.1	4.04	1.85	6.0	61.8	ML		
US SHIP PART UNITS	USS	HOLD	1.40	1.20	1.28	3	20.58	28	19		17.2	1.05	1.80	8.7	51.7	ML		
Valero LP	VLJ	HOLD	3.25	2.90	2.90	10	49.15	60	49		16.9	2.61	3.54	7.2	38.1	M	0.60	
Williams Companies Inc	WMB	HOLD	1.50	1.10	0.53	9	23.10	26	19		21.0	0.99	0.30	1.3	57.8	ML	1.38	
WILLIAMS PRTRNRS UNITS	WPZ	HOLD	1.80	1.60	0.44	10	31.42	36	22		19.6	3.83	1.52	4.8		M		
<b>International Integrated</b>																		
BP Plc	BP	BUY	6.70	6.25	5.49	5	71.37	77	63	85	11.4		2.25	3.2		H	1.08	
Chevron Corp	CVX	BUY	7.00	7.00	6.53	8	65.30	66	54	75	9.3	0.73	2.08	3.2	17.0	H	1.08	
Exxon Mobil Corp	XOM	BUY	5.70	5.70	5.32	6	63.98	66	55	75	11.2	1.16	1.28	2.0	6.5	H	1.22	
Royal Dutch Shell Plc	RDSA	HOLD	7.75	7.35	6.34	6	68.88	70	58		9.4		2.50	3.6		H		
<b>Oil Exploration &amp; Production</b>																		
Anadarko Petroleum Corp	APC	BUY	6.75	5.40	5.50	8	46.45	57	42	63	8.6	2.83	0.36	0.8	25.0	MH	1.15	
Apache Corp	APA	BUY	8.40	8.25	7.84	8	68.82	78	57	80	8.3	2.92	0.40	0.6	17.2	H	1.25	
Bill Barrett Corp	BBG	BUY	1.50	1.25	0.55	23	29.25	43	26	40	23.4	3.88			12.0	MH		
Chesapeake Energy Corp	CHK	BUY	3.80	3.65	2.75	10	29.59	40	24	43	8.1	1.94	0.20	0.7	47.1	ML	1.30	
Denbury Resources Inc	DNR	BUY	2.31	1.83	1.39	16	32.34	37	19	37	17.7	6.18			34.1	M	1.59	
Noble Energy Inc	NBL	BUY	5.45	5.40	4.20	7	47.43	49	35	52	8.8	3.47	0.30	0.6	39.7	MH	1.33	
<b>Oil Services</b>																		
Baker Hughes Inc	BHI	BUY	5.55	4.20	2.57	15	82.39	89	50	95	19.6	3.68	0.52	0.6	18.8	MH	1.24	
BJ SERVICES CO	BJS	BUY	3.15	2.40	1.38	18	36.65	43	26	58	15.3	3.15	0.20	0.5	3.2	H	1.12	
Cameron International Corp	CAM	BUY	2.95	2.20	1.52	30	48.92	56	31	65	22.2	2.02			22.0	MH	1.39	
General Maritime Corp	GMR	SELL	1.65	2.50	5.61		37.66	46	30		15.1	2.45			12.2	ML	1.13	
GlobalSantaFe Corp	GSF	BUY	7.60	4.65	1.62	25	56.24	65	39	90	12.1	5.59	0.90	1.6	10.5	MH	1.16	

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
Grey Wolf Inc	GW	BUY	1.10	0.95	\$0.54	17	\$7.35	\$9	\$7	\$12	7.7	1.86			42.7	M	1.37
Halliburton Co	HAL	BUY	5.75	4.75	4.54	15	75.58	84	46	95	15.9	1.83	0.60	0.8	32.9	M	1.27
Helmerich & Payne Inc	HP	BUY	3.10	2.40	1.10	30	29.10	40	24	45	12.1	3.09	0.17	0.6	15.6	MH	1.40
Hydrogenics Corp	HYGS	HOLD	-0.25	-0.34	-0.41	20	2.04	4	2		-6.0					ML	1.15
Nabors Industries Ltd	NBR	BUY	4.25	3.30	2.05	20	33.06	41	30	60	10.0	2.67			35.0	H	1.14
National Oilwell Varco Inc	NOV	BUY	4.35	3.20	1.81	25	61.96	78	46	100	19.4	2.03			16.6	H	1.43
Noble Corp	NE	BUY	9.30	5.60	2.16	20	76.52	86	57	120	13.7	6.87	0.16	0.2	29.5	MH	1.35
Rowan Companies Inc	RDC	BUY	4.85	3.60	1.60	22	36.00	48	29	70	10.0	3.46			27.5	M	1.50
Schlumberger Ltd	SLB	BUY	2.50	2.25	1.82	16	66.82	75	37	79	29.7	5.13	0.50	0.7	35.2	MH	1.26
Smith International Inc	SII	BUY	2.95	1.52	1.48	20	44.75	46	29	58	29.4	1.60	0.32	0.7	24.3	MH	1.20
Tidewater Inc	TDW	BUY	4.75	4.07	1.78	16	47.81	63	36	71	11.7	3.17	0.60	1.3	15.3	H	1.43
TRANSOCEAN INC	RIG	HOLD	6.90	3.15	1.57	25	79.26	90	52		25.2	8.37			16.7	MH	1.36
Weatherford International Inc	WFT	BUY	3.60	2.55	1.47	18	49.60	59	29	75	19.5	3.45			21.9	MH	1.26
<b>Refiners &amp; Marketers</b>																	
Frontier Oil Corp	FTO	SELL	6.00	6.60	4.79	9	35.01	35	13		5.3	0.92	0.24	0.7	25.2	MH	1.47
Holly Corp	HOC	HOLD	3.55	3.25	2.63	8	50.91	51	23		15.7	0.87	0.20	0.4		H	1.61
Kerr-McGee Corp	KMG	HOLD	5.50	4.38	4.19	6	69.70	70	36		15.9	2.58	0.10	0.1	42.0	M	0.69
Magellan Midstream Pntr L.	MMP	BUY	2.25	2.15	2.04	10	34.07	35	31	39	15.8	1.95	2.26	6.6	49.7	ML	0.71
Sunoco Inc	SUN	HOLD	7.55	7.45	7.29	5	69.89	97	59		9.4	0.29	0.80	1.1	34.3	MH	1.59
Valero Energy Corp	VLO	BUY	8.70	8.00	6.74	7	66.12	71	39	80	8.3	0.47	0.24	0.4	26.3	MH	1.51
<b>FINANCIAL</b>																	
<b>Banks</b>																	
American Express Co	AXP	BUY	3.40	3.00	2.56	13	52.49	55	46	63	17.5	2.41	0.48	0.9	81.5	H	1.03
American Intl Grp In	AIG	HOLD	5.90	5.18	4.82	13	59.46	71	58		11.5	1.43	0.60	1.0	59.4	MH	1.14
CIT Group Inc	CIT	BUY	5.35	4.75	4.14	11	52.26	56	42	60	11.0	1.79	0.80	1.5	87.2	H	1.04
Fannie Mae	FNM	HOLD				12	49.16	60	41				1.04	2.1	97.7	M	1.17
Goldman Sachs Group Inc	GS	HOLD	16.10	17.35	11.25	14	148.67	169	107		8.6	1.07	1.40	0.9	94.0	MH	1.10
Marsh & McLennan Companies Inc	MMC	HOLD	2.00	1.70	1.48	10	26.22	33	26		15.4	1.24	0.68	2.6	50.8	L	1.28
Mellon Financial Corp	MEL	BUY	2.40	2.15	1.88	12	34.20	39	29	43	15.9	2.61	0.88	2.6	56.9	H	1.07
Merrill Lynch & Co Inc	MER	BUY	6.75	5.35	5.16	12	70.85	81	56	90	13.2	1.23	1.00	1.4	93.1	H	1.09
Morgan Stanley	MS	BUY	6.50	6.35	4.72	13	63.93	66	50	70	10.1	1.04	1.08	1.7	96.1	H	1.15
Prudential Financial Inc	PRU	BUY	6.48	5.70	4.83	13	79.06	80	62	85	13.9	2.95	0.78	1.0	58.5	H	1.08
State Street Corp	STT	HOLD	3.70	3.35	2.79	12	56.46	66	47		16.9	2.35	0.76	1.3	80.3	H	1.05
Washington Mutual Inc	WM	HOLD	4.40	3.95	3.73	10	45.95	47	37		11.6	1.94	2.04	4.4	80.7	H	1.00
<b>Consumer Finance</b>																	
Advance America Cash Advance C	AEA	BUY	1.22	1.04	0.76	15	17.08	18	12	17	16.4	2.23	0.44	2.6	12.1	M	
American Cptl Strategies Lt	ACAS	BUY	3.63	3.32	3.60	10	34.00	40	30	40	10.2	6.50	3.29	9.7	46.0	MH	0.69
Apollo Investment Corp	AINV	HOLD	1.57	1.90	0.71	11	18.34	21	17		9.7	8.09	1.80	9.8	20.8	MH	0.77
Freddie Mac	FRE	HOLD			2.75	40	57.78	69	55			1.13	1.88	3.3	96.4	MH	0.96
Nelnet Inc	NNI	BUY	2.95	2.65	3.37	12	39.77	44	33	48	15.0	1.54			97.1	MH	1.03
<b>Insurance</b>																	

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
ACE Ltd	ACE	HOLD	6.45	6.00	\$3.06	3	\$50.28	\$57	\$43		8.4	1.24	\$0.92	1.8	17.0	ML	1.25
AFLAC Inc	AFL	BUY	3.33	2.92	2.54	14	45.88	50	43	54	15.7	1.59	0.52	1.1	15.0	H	0.86
Allstate Corp	ALL	BUY	6.55	6.45	2.37	9	55.58	63	50	62	8.6	0.99	1.40	2.5	20.8	H	0.87
Aon Corp	AOC	HOLD	2.82	2.50	1.89	12	34.16	43	25		13.7	1.13	0.60	1.8	28.5	MH	1.19
Chubb Corp	CB	HOLD	5.24	5.16	3.87	-2	49.62	53	42		9.6	1.46	1.00	2.0	16.6	H	1.01
Franklin Resources Inc	BEN	BUY	5.65	5.03	4.12	16	83.72	104	78	105	16.6	4.47	0.48	0.6	21.9	H	1.19
Genworth Financial Inc	GNW	BUY	3.11	2.76	2.52	10	34.97	35	29	41	12.7	1.52	0.30	0.9	29.8	MH	0.95
Golden West Financial Corp	GDW	HOLD	6.05	5.30	4.77	11	74.40	77	55		14.0	3.13	0.32	0.4	86.3	H	1.05
Hartford Finl Servs Grp In	HIG	BUY	10.00	8.85	7.36	9	83.40	94	72	95	9.4	0.91	1.60	1.9	23.7	MH	1.25
Lincoln National Corp	LNC	HOLD	5.45	4.80	4.83	9	56.05	61	47		11.7	2.82	1.52	2.7	18.5	M	1.13
Manulife Financial Corp	MFC	HOLD	2.48	2.18	1.68	13	32.66	34	25		15.0		0.60	1.8		H	0.72
Max RE Capital Ltd	MXRE	HOLD	3.72	3.50	0.14	7	22.33	27	21		6.4	1.22	0.20	0.9	11.0	M	0.79
MetLife Inc	MET	BUY	5.40	4.80	4.33	12	52.26	53	45	60	10.9	0.86	0.52	1.0	61.3	MH	1.13
Nationwide Finl Servs In	NFS	HOLD	4.20	3.85	3.98	9	44.52	45	38		11.6	1.52	0.92	2.1	23.6	M	1.08
Principal Financial Group Inc	PFG	HOLD	3.90	3.45	2.97	12	55.49	56	43		16.1	1.66	0.65	1.2	15.0	H	1.02
Progressive Corp	PGR	BUY	1.90	2.05	1.77	12	25.08	31	23	32	12.2	1.36	0.03	0.1	17.4	H	0.77
Safeco Corp	SAFC	SELL	5.65	5.80	5.11	-7	55.87	59	49		9.6	1.05	1.20	2.1	24.1	M	1.06
St Paul Travelers Cos In	STA	HOLD	5.04	4.81	2.90	-3	44.62	48	40		9.3	1.28	1.04	2.3	20.8	M	1.20
Sun Life Financial Inc	SLF	HOLD	3.30	3.05	2.67	11	40.48	44	35		13.3		0.81	2.0		H	0.81
Torchmark Corp	TMK	HOLD	5.31	4.90	4.59	10	61.83	62	51		12.6	1.94	0.44	0.7	17.6	H	0.85
USI Holdings Corp	USIH	HOLD	0.72	0.56	0.32	12	13.05	16	11		23.3	1.45			36.6	MH	1.01
XL Capital Ltd	XL	HOLD	8.50	7.95	-4.95	2	63.90	74	60		8.0	1.02	1.52	2.4	28.5	M	0.86
<b>Money Centers</b>																	
Bank of America Corp	BAC	HOLD	4.75	4.45	4.21	10	49.15	51	41		11.0	2.43	2.00	4.1	83.4	H	0.89
Citigroup Inc	C	BUY	4.80	4.40	3.96	11	49.60	51	43	55	11.3	1.96	1.96	4.0	85.4	H	0.90
Countrywide Financial Corp	CFC	BUY	5.10	4.50	4.11	13	38.08	44	29	50	8.5	1.35	0.60	1.6	89.8	H	1.24
JPMorgan Chase & Co	JPM	HOLD	3.75	3.30	2.95	10	42.87	47	33		13.0	1.76	1.36	3.2	79.1	H	1.03
<b>Regional Banks</b>																	
Bank of New York Co Inc	BK	BUY	2.45	2.25	2.03	12	32.38	38	29	40	14.4	2.83	0.84	2.6	64.7	H	1.00
Capital One Financial Corp	COF	HOLD	8.10	7.80	6.73	13	85.05	90	71		10.9	1.99	0.11	0.1	61.2	MH	0.89
Citizens Banking Corp	CBCF	HOLD	2.10	1.95	1.85	9	24.78	32	24		12.7	2.04	1.16	4.7	70.1	MH	0.87
Fifth Third Bancorp	FITB	HOLD	3.05	2.75	2.79	10	37.46	44	35		13.6	2.69	1.52	4.1	72.4	H	1.00
National City Corp	NCC	HOLD	3.20	3.05	3.21	9	35.86	38	30		11.8	1.94	1.48	4.1	76.5	H	0.99
Pacific Capital Bancorp	PCBC	HOLD	2.54	2.36	2.14	9	30.43	40	29		12.9	2.19	0.88	2.9	69.6	H	1.13
Provident Bankshares Corp	PBKS	HOLD	2.64	2.43	2.17	9	36.29	37	32		14.9	2.73	1.16	3.2	71.3	MH	1.13
Sterling Bancshares Inc	SBIB	HOLD	1.10	0.97	0.79	12	18.48	19	14		19.1	3.49	0.28	1.5	60.9	H	1.09
SunTrust Banks Inc	STI	HOLD	6.55	6.00	5.59	10	77.57	78	65		12.9	2.44	2.44	3.1	66.2	H	0.95
Susquehanna Bancshares Inc	SUSO	SELL	1.77	1.70	1.70	5	23.54	27	22		13.8	2.12	0.96	4.1	59.6	M	0.96
US Bancorp	USB	BUY	2.90	2.65	2.38	10	31.17	32	27	35	11.8	3.21	1.32	4.2	74.0	H	0.88
Valley National Bancorp	VLY	BUY	1.55	1.47	1.49	8	26.46	27	21	29	18.0	4.25	0.86	3.3	75.2	MH	0.83
Wachovia Corp	WB	BUY	5.15	4.65	4.30	11	54.47	60	46	63	11.7	2.32	2.04	3.7	70.4	H	1.06
Wells Fargo & Co	WFC	HOLD	5.35	4.90	4.50	11	68.85	70	58		14.1	2.76	2.08	3.0	71.8	H	0.79

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
<b>REITs</b>																	
Alexandria R.E. Equities In	ARE	HOLD	5.60	5.15	\$4.82	8	\$92.38	\$98	\$74		17.9	8.20	\$2.80	3.0	62.3	ML	1.07
AMB Property Corp	AMB	HOLD	3.20	2.95	2.75	8	51.65	57	41		17.5	6.16	1.84	3.6	52.0	ML	0.96
American Campus Communities In	ACC	BUY	1.51	1.42	1.33	8	26.00	29	22	27	18.3	4.61	1.35	5.2	56.3	M	0.83
Archstone-Smith Trust	ASN	HOLD	2.30	2.20	2.10	3	51.37	52	36		23.4	10.40	1.74	3.4	47.5	M	1.08
AvalonBay Communities Inc	AVB	SELL	4.35	4.25	3.77	6	114.38	117	78		26.9	12.35	3.12	2.7	48.3	M	1.02
Boston Properties Inc	BXP	HOLD	4.50	4.27	4.25	6	93.63	97	64		21.9	7.40	2.72	2.9	56.9	MH	0.85
Brandywine Realty Trust	BDN	SELL	2.65	2.55	2.47	3	31.48	33	26		12.3	6.20	1.76	5.6	57.1	ML	0.98
BRE Properties Inc	BRE	SELL	2.35	2.48	2.15	4	57.06	58	40		23.0	9.36	2.05	3.6	58.9	ML	0.97
CarrAmerica Realty Corp	CRE	SELL	2.75	2.65	2.63	3	44.71	48	31		16.9	5.64	2.00	4.5	62.3	ML	0.83
CBL & Assocs Properties In	CBL	BUY	3.60	3.35	3.34	8	39.98	47	35	46	11.9	2.74	1.83	4.6	72.0	ML	1.03
Crescent R.E. Equities C	CEI	HOLD	1.50	1.25	1.23	15	19.49	22	18		15.6	1.78	1.50	7.7	61.6	ML	0.71
Duke Realty Corp	DRE	HOLD	2.50	2.30	2.40	3	36.03	39	31		15.7	4.52	1.88	5.2	49.7	M	0.96
Equity Inns Inc	ENN	HOLD	1.45	1.30	1.16	8	17.07	18	12		13.1	2.61	0.76	4.5	57.1	M	1.19
Equity Office Properties Trust	EOP	HOLD	2.25	2.15	1.35	6	37.23	37	28		17.3	4.32	1.32	3.5	59.9	M	0.80
Equity Residential	EOR	HOLD	2.52	2.40	2.52	10	45.81	48	36		19.1	6.49	1.77	3.9	56.6	M	0.95
First Ind Realty Tr In	FR	SELL	4.15	3.90	3.61		38.50	43	36		9.9	4.40	2.80	7.3	60.1	ML	0.95
General Growth Properties Inc	GGP	HOLD	3.60	3.30	3.06	10	45.71	52	40		13.9	3.42	1.64	3.6	88.8	ML	1.06
GMH Communities Trust	GCT	HOLD	0.95	0.82	0.69	12	13.35	17	11		16.3	2.62	0.91	6.8	49.5	ML	
Health Care Ppty Investors In	HCP	HOLD	2.00	1.90	1.89	15	26.79	29	24		14.1	7.22	1.70	6.3	55.8	H	0.92
Hersha Hospitality Trust	HT	HOLD		0.98	0.72	8	9.30	12	8		9.5	1.96	0.72	7.7	58.5	M	0.81
Host Hotels & Resorts Inc	HST	BUY	1.85	1.53	1.15	5	22.30	23	16	24	14.6	2.90	0.56	2.5	67.7	L	0.87
HRPT Properties Trust	HRP	HOLD	1.30	1.27	1.26	3	11.82	13	10		9.3	3.37	0.84	7.1	48.8	ML	0.98
Innkeepers USA Trust	KPA	HOLD	1.65	1.40	1.05	8	17.31	18	14		12.4	2.91	0.60	3.5	33.7	MH	0.82
Kimco Realty Corp	KIM	BUY	2.35	2.14	2.00	7	37.68	42	28	42	17.6	13.06	1.32	3.5	51.7	H	1.00
Liberty Property Trust	LRY	HOLD	3.23	3.15	3.20	7	44.80	49	39		14.2	5.67	2.46	5.5	53.4	MH	0.95
Macerich Co	MAC	HOLD	4.90	4.50	4.35	9	72.17	75	60		16.0	6.25	2.72	3.8	79.0	ML	0.94
Mack-Cali Realty Corp	CLI	HOLD	3.60	3.50	3.57	3	46.48	48	40		13.3	4.41	2.52	5.4	52.7	M	0.93
Maguire Properties Inc	MPG	HOLD	2.50	2.25	2.12	7	36.12	37	26		16.1	3.39	1.60	4.4	87.6	L	0.86
MFA Mortgage Investments Inc	MFA	SELL	0.45	0.21	-0.02	8	6.97	7	5		33.2	2.34	0.20	2.9	88.6	M	1.04
Pan Pacific Retail Properties	PNP	HOLD	4.25	4.00	3.79	8	69.21	74	60		17.3	8.96	2.56	3.7	53.0	M	0.91
Parkway Properties Inc	PKY	SELL	4.15	4.02	4.16	6	45.42	54	38		11.3	3.25	2.60	5.7	56.9	ML	0.83
Plum Creek Timber Co Inc	PCL	HOLD	1.76	1.70	1.92	8	35.74	40	34		21.0	4.14	1.60	4.5	49.0	M	1.21
ProLogis	PLD	HOLD	3.30	3.10	2.51	8	53.91	56	40		17.4	6.45	1.60	3.0	54.6	ML	1.05
PS Business Parks Inc New	PSB	HOLD	3.93	3.62	3.49	6	60.00	60	43		16.6	5.57	1.16	1.9	1.8	MH	0.92
Public Storage Inc	PSA	HOLD	4.30	3.82	3.61	6	79.10	85	60		20.7	9.55	2.00	2.5	5.4	MH	0.99
Realty Income Corp	O	BUY	1.80	1.71	1.62	7	22.52	26	21	24	13.2	9.12	1.40	6.2	47.4	ML	1.01
Reckson Associates Realty Corp	RA	HOLD	2.65	2.40	2.06	3	41.86	46	31		17.4	5.74	1.70	4.1	56.6	ML	0.90
Regency Centers Corp	REG	BUY	4.20	3.85	3.64	8	64.14	69	52	70	16.7	10.67	2.38	3.7	46.2	ML	0.92
Simon Property Group Inc	SPG	HOLD	5.75	5.30	4.96	10	84.30	88	66		15.9	5.78	3.04	3.6	71.7	M	1.10
SL Green Realty Corp	SLG	HOLD	4.85	4.50	4.16	8	111.32	112	63		24.7	10.32	2.40	2.2	50.0	ML	0.89
Spirit Finance Corp	SFC	BUY	1.22	1.02	0.70	8	11.53	13	10	14	11.3	9.00	0.84	7.3	60.2	M	
Sunstone Hotel Investors Inc	SHO	BUY	3.11	2.70	2.12	13	30.36	31	22	35	11.2	2.33	1.20	4.0	59.8	MH	

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
Taubman Centers Inc	TCO	HOLD	2.60	2.40	\$2.17	6	\$41.45	\$44	\$28		17.3	4.38	\$1.22	2.9	85.5	L	1.33
Vornado Realty Trust	VNO	HOLD	5.30	5.00	4.75	8	99.64	100	78		19.9	5.25	3.20	3.2	49.0	M	0.91
Weingarten Realty Investors	WRI	HOLD	3.05	2.85	2.72	8	39.31	42	34		13.8	6.31	1.86	4.7	65.1	M	1.12
Windrose Medical Properties Tr	WRS	BUY	1.56	1.37	1.02	10	14.76	16	13	17	10.8	4.88	0.94	6.4	64.1	ML	0.47
<b>Securities</b>																	
IntercontinentalExchange Inc	ICE	HOLD	2.01	1.69	0.98	18	55.50	82	26		32.8	17.69				H	
Janus Capital Group Inc	JNS	HOLD	0.99	0.75	0.52	8	17.27	24	14		23.0	3.82	0.04	0.2	12.7	M	1.21
Lazard Ltd	LAZ	HOLD	1.02	0.85	0.58	16	38.00	49	23		44.7	0.97	0.36	0.9	185.6	M	
Lehman Brothers Holdings Inc	LEH	HOLD	6.45	6.45	5.44	12	64.81	79	51		10.0	0.88	0.48	0.7	95.2	H	1.07
MarketAxess Holdings Inc	MKTX	HOLD	0.20	0.10	0.23	8	10.20	15	10		102.0	4.02				H	
T Rowe Price Group Inc	TROW	HOLD	4.28	3.72	3.15	13	37.09	44	30		10.0	6.09	1.12	3.0		H	1.26
<b>HEALTHCARE</b>																	
<b>Biotechnology</b>																	
Barrier Therapeutics Inc	BTRX	HOLD	-1.50	-1.80	-1.91	15	6.31	11	5		-3.5	64.54			1.0	L	0.98
Biovision Inc	BIVN	BUY	-0.05	-0.45	-0.72	20	5.28	9	5	9	-11.7	48.36				L	1.52
Cephalon Inc	CEPH	BUY	3.90	3.45	2.76	15	63.63	83	38	75	18.4	3.00			73.5	ML	1.31
Genzyme Corp	GENZ	BUY	3.21	2.70	2.28	20	57.98	78	55	83	21.5	5.10			13.8	M	1.03
Gilead Sciences Inc	GILD	HOLD	2.34	2.07	1.66	20	61.76	66	40		29.8	12.27			9.0	H	1.48
Medimmune Inc	MEDI	BUY	0.75	0.33	0.07	20	27.59	38	26	38	83.6	5.57			24.2	M	1.09
<b>Healthcare Services</b>																	
Aetna Inc	AET	BUY	3.15	2.76	2.70	15	40.04	52	35	53	14.5	1.02	0.04	0.1	13.7	MH	1.02
Allscripts Healthcare Solus In	MDRX	HOLD	0.45	0.21	0.23	25	17.21	20	13		82.0	6.57			45.6	ML	1.24
AmerisourceBergen Corp	ABC	HOLD	2.25	2.07	1.24	10	41.80	49	34		20.2	0.15	0.10	0.2	18.2	MH	0.79
AMN Healthcare Services Inc	AHS	BUY	1.18	0.94	0.69	15	21.54	22	15	25	22.9	0.87			51.5	M	1.13
Cardinal Health Inc	CAH	HOLD	3.35	3.10	2.48	15	63.70	76	57		20.5	0.34	0.24	0.4	23.4	MH	0.94
Celgene Corp	CELG	HOLD	0.89	0.42	0.19	50	48.07	49	21		114.5	27.54	0.00	0.0	38.6	M	1.16
CIGNA Corp	CI	HOLD	8.80	7.80	12.63	10	102.09	134	88		13.1	0.74	0.10	0.1	21.9	MH	1.01
Express Scripts Inc	ESRX	HOLD	3.65	3.15	2.68	16	72.66	95	45		23.1	0.63			50.8	MH	1.20
Gentiva Health Services Inc	GTIV	BUY	0.98	0.87	0.94	15	15.69	21	13	20	18.0	0.47				M	0.87
HCA Inc	HCA	HOLD	3.40	3.12	3.19	15	44.01	55	42		14.1	0.73	0.68	1.5	64.8	M	0.64
Health Mgmt Assocs In	HMA	HOLD	1.55	1.41	1.42	8	20.09	26	19		14.2	1.28	0.24	1.2	30.0	M	0.74
Health Net Inc	HNT	HOLD	3.30	2.90	1.95	10	46.83	54	37		16.1	0.44			19.6	ML	0.74
HealthExtras Inc	HLEX	HOLD	1.07	0.80	0.56	25	28.76	38	18		36.0	1.53			6.3	MH	1.35
Horizon Health Corp	HORC	BUY	1.05	0.80	1.02	16	26.20	27	10	20	32.8	1.83			34.5	M	0.67
HUMANA INC	HUM	HOLD	3.28	2.80	1.87	11	56.54	58	37		20.2	0.60			30.7	M	1.10
McKesson Corp	MCK	HOLD	2.60	2.38	2.19	10	47.30	55	43		19.9	0.16	0.24	0.5	14.4	MH	0.99
Medco Health Solutions Inc	MHS	BUY	3.00	2.58	2.05	13	58.50	61	46	71	22.7	0.44			16.0	MH	0.78
National Medical Health Card	NMHC	HOLD	1.10	0.83	1.11	18	13.28	32	11		16.0	0.08			3.3	MH	0.95
Neurocrine Biosciences Inc	NBIX	HOLD	-5.00	-3.44	-0.60	25	10.51	73	9		-3.1	3.01			13.2	ML	2.08
Nighthawk Radiology Hldgs Inc	NHWK	BUY	0.74	0.59	0.39	26	23.90	28	16	28	40.5				-58.5	28	
Patterson Companies Inc	PDCO	BUY	1.63	1.43	1.32	16	34.29	45	32	40	24.0	1.82			19.5	MH	0.72
Pediatrix Medical Group Inc	PDX	BUY	3.17	2.75	1.86	16	46.01	52	36	49	16.7	3.11			0.2	MH	0.80

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
Tenet Healthcare Corp	THC	SELL	-0.10	-0.08	-\$1.54	10	\$6.62	\$13	\$6		-82.8	0.33			82.5	L	0.86
Triad Hospitals Inc	TRI	SELL	2.95	2.80	2.70	10	40.05	55	38		14.3	0.70			35.1	M	0.69
UnitedHealth Group Inc	UNH	HOLD	3.30	2.90	2.48	15	48.09	65	41		16.6	1.26	0.03	0.1	28.6	MH	0.79
VisICU Inc	EICU	SELL	0.20	0.05	0.38	35	16.32	26	16		326.4				140.5	M	
Vistacare Inc	VSTA	HOLD	0.50	0.17	-0.14	14	12.04	24	11		70.8	0.87				ML	1.30
WellPoint Inc	WLP	HOLD	5.40	4.62	3.94	15	75.57	80	65		16.4	1.02			21.4	MH	0.84
<b>Medical Devices</b>																	
Applied Biosystems Group	ABI	BUY	1.34	1.22	1.05	11	32.70	33	20	37	26.8	3.21	0.17	0.5		MH	1.07
Baxter International Inc	BAX	BUY	2.38	2.16	1.52	12	36.82	41	35	49	17.0	2.44	0.58	1.6	43.7	M	0.77
Becton Dickinson & Co	BDX	BUY	3.54	3.23	3.07	11	60.77	66	50	80	18.8	2.67	0.86	1.4	27.9	MH	1.00
Boston Scientific Corp	BSX	HOLD	1.15	1.02	1.82	18	16.18	29	16		15.9	3.77			32.1	M	1.22
Conor Medsystems Inc	CONR	HOLD	-0.50	-1.60	-1.77		25.94	30	15		-16.2	132.55				ML	
Hologic Inc	HOLX	HOLD	1.44	1.15	1.25	11	45.87	57	18		39.9	6.13				H	1.50
Medtronic Inc	MDT	BUY	2.44	2.10	1.48	15	47.98	60	46	67	22.8	4.91	0.39	0.8	45.8	MH	0.56
St Jude Medical Inc	STJ	BUY	1.86	1.59	1.54	18	34.20	55	31	46	21.5	4.07			26.8	M	0.97
Stryker Corp	SYK	BUY	2.35	2.02	1.64	20	43.32	56	40	54	21.4	3.53	0.11	0.3	6.7	H	1.13
Zimmer Holdings Inc	ZMH	HOLD	3.80	3.35	2.93	17	57.00	85	56		17.0	4.26			1.7	MH	0.90
<b>Pharmaceuticals</b>																	
Abbott Laboratories	ABT	BUY	2.85	2.48	2.50	11	44.56	50	38	54	18.0	3.07	1.18	2.6	31.5	MH	0.67
Adams Respiratory Therapeutics	ARXT	BUY	1.82	1.34	1.04	19	43.14	50	17	55	32.2	6.67				MH	
Allergan Inc	AGN	HOLD	4.21	3.60	3.38	15	108.01	118	85		30.0	6.82	0.40	0.4	32.3	M	0.94
Altus Pharmaceuticals Inc	ALTU	HOLD	-2.90	-2.80	-1.35		16.65	26	15		-5.9				29.3	ML	
Amgen Inc	AMGN	BUY	4.20	3.64	3.20	16	66.71	87	64	90	18.3	6.14			16.2	MH	0.89
Anadys Pharmaceuticals Inc	ANDS	BUY	-0.70	-0.90	-0.89	25	3.30	17	3	18	-3.7	16.00			1.9	ML	1.13
Ariad Pharmaceuticals Inc	ARIA	BUY	-0.90	-0.90	-0.99	25	4.19	9	4	8	-4.7	228.24			9.7	ML	1.71
AtheroGenics Inc	AGIX	HOLD	-1.45	-1.70	-2.19	25	13.15	22	12		-7.7	124.36			162.5	L	1.23
Barr Pharmaceuticals Inc	BRL	BUY	3.30	3.10	2.40	15	47.00	70	45	66	15.2	4.01			1.7	MH	0.60
Biogen Idec Inc	BIIB	HOLD	2.27	1.95	1.57	12	46.01	51	36		23.6	6.47			0.6	M	1.16
Bristol-Myers Squibb Co	BMJ	HOLD	1.31	1.20	1.43	8	25.48	26	21		21.2	2.59	1.12	4.4	43.4	M	0.78
Connetics Corp	CNCT	HOLD	0.76	0.64	0.65	20	7.99	19	7		12.5	1.41			72.4	M	0.59
Dyax Corp	DYAX	BUY	-0.85	-0.92	-0.87	44	2.79	7	3	5	-3.0	6.46			10.1	ML	1.72
Eli Lilly and Co	LLY	BUY	3.40	3.16	2.87	10	55.93	59	49	64	17.7	4.25	1.52	2.7	37.6	MH	0.91
Encysive Pharmaceuticals Inc	ENCY	BUY	-0.34	-1.72	-1.29	32	6.65	13	3	10	-3.9	26.10			109.0	ML	1.96
Forest Laboratories Inc	FRX	HOLD	2.39	2.08	2.25	13	38.99	49	35		18.7	4.30				H	0.94
Genentech Inc	DNA	BUY	2.41	1.91	1.28	27	84.06	100	76	98	44.0	11.31			21.8	MH	0.80
GlaxoSmithKline PLC	GSK	BUY	3.80	3.43	2.86	11	56.46	58	46	63	16.5		1.73	3.1		MH	0.72
Incyte Corp	INCY	HOLD	-1.10	-0.89	-1.24	18	4.38	9	4		-4.9	32.14			106.0	ML	1.45
Johnson & Johnson	JNJ	BUY	4.02	3.68	3.50	11	60.77	65	57	73	16.5	3.55	1.32	2.2	6.6	H	0.60
Keryx Biopharmaceuticals Inc	KERX	BUY	-0.45	-1.20	-0.78	25	13.00	19	12	25	-10.8	1,057.47				ML	1.79
Medicines Co	MDCO	BUY	0.85	0.25	-0.16	25	19.24	25	16	20	77.0	6.82				MH	1.64
Merck & Co Inc	MRK	SELL	2.34	2.36	2.53	5	37.27	37	26		15.8	3.69	1.52	4.1	28.5	M	0.57
Mylan Laboratories Inc	MYL	HOLD	1.21	1.00	0.74	18	19.64	25	17		19.6	3.29	0.24	1.2	46.6	M	0.64
Myogen Inc	MYOG	HOLD	-1.25	-2.50	-1.68	18	27.75	42	8		-11.1	112.02			0.2	ML	1.27

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
Pfizer Inc	PFE	BUY	2.15	2.00	\$2.02	9	\$23.49	\$28	\$20	\$30	11.7	3.38	\$0.96	4.1	21.5	H	0.96
Schering-Plough Corp	SGP	BUY	0.83	0.62	0.36	13	18.91	23	18	22	30.5	2.89	0.22	1.2	33.2	ML	0.82
Somaxon Pharmaceuticals Inc	SOMX	SELL	-2.71	-2.84	-2.46	12	13.91	21	10		-4.9					ML	
United Therapeutics Corp	UTHR	BUY	3.20	2.65	1.89	20	56.54	79	47	72	21.3	10.59			0.0	M	1.06
Watson Pharmaceuticals Inc	WPI	HOLD	1.38	1.29	1.36	10	22.62	37	23		17.5	1.52			21.8	M	0.83
Wyeth	WYE	HOLD	3.33	3.03	2.92	10	44.40	50	41		14.7	3.14	1.00	2.3	43.5	M	0.62
XenoPort Inc	XNPT	HOLD	-3.15	-2.96	-2.54		19.99	27	10		-6.8	122.38			2.1	L	
<b>INDUSTRIALS</b>																	
<b>Aerospace and Defense</b>																	
Alliant Techsystems Inc	ATK	BUY	5.01	4.11	4.03	12	78.25	85	67	95	19.0	0.86			65.4	M	0.95
Boeing Co	BA	BUY	4.35	3.50	3.20	12	81.63	90	62	96	23.3	1.16	1.20	1.5	49.2	MH	1.05
GenCorp Inc	GY	BUY	-0.20	-0.70	-3.78	14	15.88	21	16	23	-22.7	1.38			119.7	ML	1.00
General Dynamics Corp	GD	BUY	4.65	4.10	3.63	12	68.66	70	54	73	16.7	1.26	0.92	1.3	28.8	MH	0.85
Lockheed Martin Corp	LMT	BUY	5.24	5.01	4.10	12	75.30	78	59	90	15.0	0.87	1.20	1.6	38.8	M	0.73
Northrop Grumman Corp	NOC	HOLD	4.89	4.41	3.81	10	64.75	71	52		14.7	0.73	1.04	1.6	24.6	MH	0.84
Raytheon Co	RTN	BUY	2.91	2.68	1.92	13	44.95	47	36	53	16.8	0.91	0.96	2.1	29.2	MH	0.87
Rockwell Collins Inc	COL	BUY	3.06	2.70	2.20	14	56.17	60	43	65	20.8	2.60	0.64	1.1	17.6	MH	0.97
Textron Inc	TXT	BUY	6.01	5.18	3.78	12	92.17	99	65	102	17.8	1.05	1.55	1.7	69.2	M	1.15
<b>Airlines</b>																	
AirTran Holdings Inc	AAI	HOLD	1.25	0.67	0.03	20	14.15	19	9		21.1	0.82			57.3	MH	1.78
AMR Corp	AMR	BUY	2.68	0.90	-2.39	8	27.25	29	10	28	30.3	0.25			111.2	L	1.89
Continental Airlines Inc	CAL	BUY	2.45	1.45	-0.97	8	31.35	32	9	30	21.6	0.24			96.1	ML	1.84
Copa Holdings SA	CPA	BUY	2.41	2.03	1.79	16	23.45	27	20	28	11.6		0.18	0.8		M	
Delta Air Lines Inc	DALRO	SELL				5	0.68	4	0			0.01			-406.5	L	2.67
Gol Linhas Aereas Inteligentes	GOL	HOLD	2.24	1.98	1.14	19	32.52	41	14		16.4		0.84	2.6		MH	1.30
JetBlue Airways Corp	JBLU	BUY	0.27	-0.33	-0.13	25	11.98	17	9	14	-36.3	1.14			71.9	M	0.96
NORTHWEST AIRLINES CORP	NWAC	SELL				5	0.56	6	0			0.00			-28.0	L	1.81
Pinnacle Airlines Corp	PNCL	SELL	1.76	1.85	1.17	14	6.70	11	4		3.6	0.17			88.1	ML	1.44
Skywest Inc	SKYW	BUY	3.05	2.65	1.90	15	24.55	34	18	35	9.3	0.66	0.12	0.5	66.9	M	1.15
Southwest Airlines Co	LUV	HOLD	0.83	0.74	0.67	15	16.98	18	13		22.9	1.72	0.02	0.1	23.0	MH	0.89
<b>Auto Parts</b>																	
Amerigon Inc	ARGN	BUY	0.24	0.18	0.76	15	8.67	10	3	12	48.2	4.32				MH	0.84
<b>Building Materials</b>																	
American Standard Cos In	ASD	SELL	2.99	2.76	2.56	7	42.49	48	35		15.4	0.82	0.72	1.7	64.8	ML	1.29
Beacon Roofing Supply Inc	BECN	HOLD	1.20	1.05	0.80	11	21.13	29	16		20.1	0.81			34.8	L	0.83
Beazer Homes USA Inc	BZH	HOLD	8.00	9.75	8.73	12	42.64	82	42		4.4	0.31	0.40	0.9	46.8	ML	1.89
Black & Decker Corp	BDK	HOLD	8.12	7.33	6.88	9	79.80	95	76		10.9	0.93	1.52	1.9	53.5	M	1.04
BlueLinx Holdings Inc	BXC	HOLD	1.52	1.39	1.47	-2	12.50	17	8		9.0	0.07	0.50	4.0	76.6	ML	
Chemed Corp	CHE	BUY	2.70	2.30	1.36	16	53.15	62	39	60	23.1	1.46	0.24	0.5	38.0	M	1.11
Hanson PLC	HAN	HOLD	5.05	4.80	4.60	8	61.13	70	46		12.7		1.84	3.0		M	1.03
Hovnanian Enterprises Inc	HOV	HOLD	5.30	6.60	7.16	15	28.41	73	28		4.3	0.30			47.3	ML	1.78

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
			KB Home	KBH	HOLD		9.00	9.55	\$9.53	11			\$44.00	\$85			
Lennar Corp	LEN	HOLD	8.96	8.98	8.23	10	43.07	69	43		4.8	0.42	0.64	1.5	32.7	M	1.44
Masco Corp	MAS	HOLD	2.81	2.53	2.19	6	28.65	35	27		11.3	0.87	0.88	3.1	49.5	M	1.10
MDC Holdings Inc	MDC	HOLD	7.20	9.50	10.99	10	51.47	90	50		5.4	0.45	1.00	1.9	37.1	MH	1.36
Mueller Water Products Inc	MWA	HOLD	0.86	0.34	0.27	24	16.80	18	14		49.4		0.07	0.4	120.1	M	
NORDIC AMERICAN TANKER SHI	NAT	HOLD	1.90	3.01	3.03	10	37.87	46	28		12.6	5.57	7.52	19.9	26.0	M	1.19
Ryland Group Inc	RYL	HOLD	7.25	8.00	9.03	12	41.15	83	41		5.1	0.37	0.48	1.2	37.3	M	1.66
Standard-Pacific Corp	SPF	HOLD	3.80	5.20	6.30	12	24.75	50	24		4.8	0.41	0.16	0.6	43.8	MH	1.76
Stanley Works	SWK	HOLD	4.13	3.40	3.18	9	44.90	55	43		13.2	1.06	1.16	2.6	42.4	M	0.99
Toll Brothers Inc	TOL	HOLD	4.36	4.67	4.78	10	25.60	59	25		5.5	0.62			39.8	M	1.66
Vulcan Materials Co	VMC	BUY	5.30	4.60	3.73	9	74.32	94	61	101	16.2	2.43	1.48	2.0	21.9	MH	1.34
<b>Construction Machinery</b>																	
Caterpillar Inc	CAT	HOLD	5.67	5.13	4.04	12	73.40	82	48		14.3	1.31	1.00	1.4	75.3	MH	1.58
Dresser-Rand Group Inc	DRC	BUY	1.59	1.16	0.56	14	22.09	28	19	28	19.0	1.57			53.8	ML	
<b>Diversified Industrial</b>																	
3M Co	MMM	BUY	5.05	4.64	4.12	12	73.09	88	70	95	15.8	2.55	1.84	2.5	19.1	H	0.97
Alexander & Baldwin Inc	ALEX	HOLD	2.95	2.60	2.66	6	43.18	56	41		16.6	1.19	0.90	2.1	24.4	MH	1.32
Coinstar Inc	CSTR	HOLD	1.01	0.80	0.86	12	23.82	30	18		29.8	1.38			41.7	M	1.32
Danaher Corp	DHR	BUY	3.50	3.17	2.79	13	63.15	68	49	76	19.9	2.33	0.08	0.1	17.0	MH	1.04
Deere & Company	DE	HOLD	7.00	6.38	5.87	7	82.26	92	57		12.9	0.89	1.56	1.9	73.1	MH	1.55
Eaton Corp	ETN	HOLD	6.47	6.07	5.23	8	72.34	80	57		11.9	0.95	1.40	1.9	39.5	MH	1.28
Emerson Electric Co	EMR	HOLD	4.90	4.32	3.40	12	81.84	90	63		18.9	1.82	1.78	2.2	35.2	MH	1.05
General Electric Co	GE	BUY	2.23	1.98	1.72	11	33.26	36	32	40	16.8	2.16	1.00	3.0	75.9	H	0.83
Harsco Corp	HSC	BUY	4.55	4.15	3.75	15	75.66	90	54	95	18.2	1.10	1.30	1.7	50.4	MH	1.46
Honeywell International Inc	HON	BUY	2.84	2.46	1.94	11	39.12	44	33	51	15.9	1.14	0.91	2.3	31.2	MH	1.33
Illinois Tool Works Inc	ITW	BUY	3.26	3.00	2.60	12	45.61	54	39	60	15.2	1.97	0.66	1.4	13.8	H	1.16
Ingersoll-Rand Co Ltd	IR	BUY	3.90	3.59	3.09	11	40.15	49	36	50	11.2	1.22	0.64	1.6	26.9	MH	1.41
K&F Industries Holdings Inc	KFI	HOLD	1.45	1.25	0.77	14	17.43	20	15		13.9	1.78			69.0	ML	
Macquarie Infrastructure Co Tr	MIC	HOLD	0.85	0.65	0.56	15	27.08	35	26		41.7	2.25	2.00	7.4	52.4	ML	
Parker Hannifin Corp	PH	BUY	6.09	5.25	4.55	11	76.17	87	61	98	14.5	1.02	0.92	1.2	22.5	MH	1.36
Rofin-Sinar Technologies Inc	RSTI	HOLD	3.60	3.15	2.44	14	58.54	63	33		18.6	2.34			12.2	M	2.04
Siemens AG	SI	HOLD	6.60	5.05	3.07	12	84.75	100	72		16.8		1.65	1.9		MH	1.23
Spherion Corp	SFN	HOLD	0.50	0.38	0.31	8	8.48	11	7		22.3	0.25			1.5	ML	1.49
Tyco International Ltd	TYC	HOLD	2.02	1.82	1.43	9	27.52	31	25		15.1	1.43	0.40	1.5	27.9	MH	1.13
United Technologies Corp	UTX	BUY	4.04	3.60	3.12	11	63.84	66	49	75	17.7	1.47	1.06	1.7	31.7	MH	1.00
<b>Environmental Services</b>																	
Waste Industries USA Inc	WWIN	HOLD	1.15	0.95	0.88	5	21.93	23	12		23.1	0.95	0.36	1.6	56.3	ML	1.12
Waste Management Inc	WMI	HOLD	1.88	1.69	1.55	7	34.94	38	27		20.7	1.44	0.80	2.3	57.6	ML	0.95
WCA Waste Corp	WCAA	HOLD	0.29	0.25	0.22	5	7.96	9	6		31.8	1.06			65.8	L	0.26
<b>Home Building</b>																	
Pulte Homes Inc	PHM	SELL	5.89	5.78	5.47	10	29.16	48	26		5.0	0.50	0.16	0.5	41.8	M	1.85

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
<b>Paper</b>																	
Temple-Inland Inc	TIN	HOLD	2.95	2.65	\$1.54	6	\$41.56	\$48	\$36		15.7	0.91	\$1.00	2.4	78.3	M	1.26
<b>Railroads</b>																	
Burlington Northern Santa Fe C	BNI	BUY	5.56	4.94	4.01	12	76.77	88	48	88	15.5	2.08	0.80	1.0	42.9	M	1.14
CSX Corp	CSX	BUY	4.67	4.20	3.17	14	68.85	75	43	75	16.4	1.73	0.52	0.8	43.1	M	1.28
Norfolk Southern Corp	NSC	BUY	3.76	3.28	3.11	12	51.83	58	32	64	15.8	2.42	0.64	1.2	42.7	M	1.22
Union Pacific Corp	UNP	SELL	6.07	5.17	3.85	11	90.23	97	64		17.5	1.72	1.20	1.3	35.1	M	0.96
<b>Technology Electronic</b>																	
L-3 Comms Hldgs In	LLL	BUY	5.78	5.01	4.20	13	74.27	89	71	95	14.8	0.87	0.74	1.0	50.3	M	0.97
<b>Transport</b>																	
Fedex Corp	FDX	BUY	6.97	5.83	4.72	12	114.76	120	77	127	19.7	1.08	0.36	0.3	17.5	MH	1.08
Genco Shipping & Trading Ltd	GSTL	HOLD	1.60	2.32	3.12	11	18.99	21	15		8.2	3.77	2.40	12.6	27.3	M	
JB Hunt Transport Services Inc	JBHT	BUY	1.66	1.48	1.28	15	25.28	26	17	27	17.1	1.22	0.32	1.3	13.2	MH	1.26
Knightsbridge Tankers Ltd	VLCCF	HOLD	1.80	2.21	2.57	10	27.45	43	20		12.4	4.79	4.40	16.0	38.2	M	1.18
Quintana Maritime Ltd	OMAR	HOLD	0.83	0.75	0.72	4	8.03	12	7		10.7	3.10	0.84	10.5	45.7	ML	
Swift Transportation Co Inc	SWFT	HOLD	2.07	1.82	1.37	15	32.40	34	16		17.8	0.75			29.6	M	1.37
United Parcel Service Inc	UPS	BUY	4.46	4.02	3.47	11	81.65	84	67	92	20.3	2.00	1.52	1.9	19.1	MH	0.89
<b>TECHNOLOGY</b>																	
<b>Communication Equipment</b>																	
ADC Telecommunications Inc	ADCT	BUY	1.35	1.09	0.78	15	15.51	28	15	25	14.2	1.45			34.1	M	1.28
Adtran Inc	ADTN	HOLD	1.64	1.40	1.29	12	21.22	33	20		15.2	3.15	0.36	1.7	8.4	MH	1.12
Alcatel	ALA	BUY	1.09	0.94	0.81	11	11.71	17	11	18	12.5					MH	1.41
Andrew Corp	ANDW	HOLD	0.65	0.50	0.23	13	8.55	14	8		17.1	0.68			16.3	MH	1.34
Avaya Inc	AV	BUY	0.75	0.58	0.58	12	11.22	13	8	15	19.3	1.03			1.5	MH	1.22
Celestica Inc	CLS	SELL	0.80	0.60	0.57	10	9.05	15	8		15.1	0.22			25.3	MH	1.40
Ciena Corp	CIEN	HOLD	0.20	-0.01	-0.16	10	4.16	6	2		-416.0	5.09			48.7	M	1.91
Corning Inc	GLW	BUY	1.18	1.03	0.84	13	21.07	30	17	29	20.5	6.85			24.2	MH	1.64
Flextronics International Ltd	FLEX	BUY	0.83	0.69	0.66	15	10.05	14	9	16	14.6	0.38			23.0	MH	1.63
Jabil Circuit Inc	JBL	BUY	1.89	1.54	1.28	15	25.18	44	23	36	16.4	0.56			13.3	MH	1.17
JDS Uniphase Corp	JDSU	HOLD	0.03	-0.01	-0.06	10	2.11	4	1		-211.0	3.36			26.0	M	1.51
Lucent Technologies Inc	LU	HOLD	0.20	0.16	0.19	11	2.19	3	2		13.7	1.10			93.5	M	1.11
Motorola Inc	MOT	BUY	1.51	1.35	1.13	15	19.32	25	19	30	14.3	1.23	0.20	1.0	20.3	MH	1.43
Nokia Oyj	NOK	BUY	1.49	1.26	0.99	13	19.63	23	15	30	15.6		0.47	2.4		H	1.34
Nortel Networks Corp	NT	HOLD	0.10	0.03	0.09	11	2.10	4	2		70.0	0.84			71.3	ML	0.96
Pemstar Inc	PMTR	BUY	0.25	-0.62	-0.75	13	3.68	4	1	4	-5.9	0.19			52.4	ML	1.09
Polycom Inc	PLCM	BUY	1.08	0.93	0.80	15	21.94	23	14	28	23.6	3.19				MH	1.28
Qualcomm Inc	QCOM	BUY	1.92	1.60	1.16	15	38.87	53	35	58	24.3	10.03	0.48	1.2		H	1.12
Radware Ltd	RDWR	BUY	0.61	0.38	0.47	17	12.37	22	12	20	32.6	3.04				MH	1.04
Sanmina-SCI Corp	SANM	BUY	0.44	0.33	0.25	13	4.49	6	3	8	13.6	0.22			40.9	MH	1.75
Solectron Corp (Delaware)	SLR	BUY	0.26	0.16	0.17	12	3.22	4	3	6	20.1	0.29			22.4	M	1.21
Sycamore Networks Inc	SCMR	HOLD	0.16	0.12	-0.04	10	3.94	5	3		32.8	12.27				M	1.25

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
Tellabs Inc	TLAB	BUY	0.69	0.60	\$0.56	12	\$12.17	\$17	\$9	\$21	20.3	2.78				MH	1.13
Vishay Intertechnology Inc	VSH	BUY	1.16	1.02	0.51	11	15.82	17	11	21	15.5	1.23			20.9	MH	1.81
<b>Computer Hardware</b>																	
Apple Computer Inc	AAPL	BUY	2.51	2.03	1.60	20	55.65	86	38	85	27.4	2.38				H	1.51
Dell Inc	DELL	HOLD	1.50	1.56	1.29	10	23.42	42	23		15.0	0.94			10.9	H	0.89
Gateway Inc	GTW	HOLD	0.14	0.06	0.12	10	2.01	4	2		33.5	0.18			57.8	ML	1.99
Hewlett-Packard Co	HPO	BUY	2.25	2.22	1.62	12	32.54	35	24	40	14.7	1.02	0.32	1.0	12.3	MH	1.11
International Business Machine	IBM	BUY	6.40	5.85	5.32	10	76.47	90	75	94	13.1	1.33	1.10	1.4	40.6	MH	0.99
iRobot Corp	IRBT	BUY	0.23	0.01	0.11	36	22.66	38	21	32	2,266.0					MH	
Metrologic Instruments Inc	MTLG	BUY	1.38	1.17	0.77	15	14.85	24	12	26	12.7	1.50			10.3	M	1.69
Sun Microsystems Inc	SUNW	BUY	0.04	-0.19	0.05	12	3.90	5	4	6	-20.5	1.12			14.4	M	1.40
UNISYS CORP	UIS	HOLD	0.35	-0.08	-5.09	5	6.19	7	4		-77.4	0.37			103.0	ML	1.28
<b>Financial Electronic Services</b>																	
Accenture Ltd	ACN	BUY	1.79	1.58	1.28	13	27.69	33	23	38	17.5	0.88			2.7	MH	0.94
Automatic Data Processing Inc	ADP	BUY	2.21	1.92	1.79	11	44.02	48	41	53	22.9	2.84	0.74	1.7	1.3	H	0.88
Bearingpoint Inc	BE	HOLD	0.50	0.40	-0.10	15	8.02	10	7		20.1	0.48			40.4	L	1.20
DiamondCluster Intl In	DTPI	SELL	0.30	-0.29	0.91	12	8.25	12	6		-28.4	1.29				M	1.82
eFUNDS Corp	efd	HOLD	1.33	1.15	1.17	12	21.39	27	18		18.6	1.89			20.1	MH	0.76
Fair Isaac Corp	FIC	HOLD	2.39	2.12	1.86	15	35.06	48	34		16.5	2.80	0.08	0.2	33.2	MH	0.97
First Data Corp	FDC	BUY	2.70	2.40	2.04	13	43.63	49	39	55	18.2	3.10	0.24	0.6	38.8	MH	0.91
Fiserv Inc	FISV	BUY	2.90	2.54	2.30	15	44.29	47	40	55	17.4	1.86			19.5	MH	0.94
Jupitermedia Corporation	JUPM	BUY	0.80	0.63	0.71	15	13.10	23	13	18	20.8	3.47			23.3	M	1.50
Transaction Network Servs In	TNS	HOLD	1.20	0.98	1.00	12	21.00	26	15		21.4	1.93			39.0	ML	0.97
<b>Imaging &amp; Information</b>																	
DTS Inc	DTSI	BUY	0.86	0.67	0.43	21	19.59	22	13	23	29.2	4.21				MH	1.51
Eastman Kodak Co	EK	HOLD	0.42	0.30	1.42	5	23.27	31	21		77.6	0.47	0.50	2.1	64.6	ML	1.22
Electronics for Imaging Inc	EFII	BUY	1.49	1.27	0.93	13	20.21	30	20	30	15.9	2.25			25.4	MH	1.10
Getty Images Inc	GYI	BUY	2.96	2.58	2.28	19	55.86	95	55	95	21.7	4.60			17.6	MH	0.83
Lexmark International Inc	LXK	HOLD	3.59	3.51	3.33	8	55.36	71	39		15.8	1.13			9.5	H	1.31
Syntel Inc	SYNT	HOLD	1.19	1.05	0.75	16	20.04	24	16		19.1	3.44	0.24	1.2		H	1.52
WebMD Health Corp	WBMD	SELL	0.37	0.03	0.15	42	45.76	47	18		1,525.3	13.85				M	
Xerox Corp	XRX	HOLD	1.15	1.00	0.85	10	14.17	16	12		14.2	0.83			50.2	M	1.05
<b>Networking</b>																	
Cisco Systems Inc	CSCO	BUY	1.28	1.11	0.92	15	18.69	22	17	28	16.8	4.21				H	1.08
Equinix Inc	EOIX	SELL	0.23	-0.35	-1.78	45	50.62	66	35		-144.6	6.09			48.6	ML	1.67
Extreme Networks Inc	EXTR	HOLD	0.21	0.18	0.10	10	3.93	5	4		21.8	1.26			44.7	M	1.18
Foundry Networks Inc	FDRY	HOLD	0.58	0.50	0.38	10	10.09	18	9		20.2	3.39				H	1.40
Juniper Networks Inc	JNPR	HOLD	0.96	0.83	0.72	13	15.12	27	14		18.2	3.92			5.5	H	1.06
<b>Semiconductors</b>																	
Advanced Analogic Teches In	AATI	HOLD	0.48	0.29	0.05	21	9.22	16	9		31.8	5.57				MH	
Advanced Micro Devices Inc	AMD	HOLD	1.67	1.13	0.40	20	22.98	43	19		20.3	1.87			27.6	MH	1.70

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
Analog Devices Inc	ADI	HOLD	1.90	1.60	\$1.26	15	\$31.68	\$41	\$30		19.8	4.63	\$0.64	2.0		MH	1.30
Applied Materials Inc	AMAT	BUY	1.16	1.11	0.65	15	16.14	21	16	24	14.5	3.39	0.20	1.2	4.4	MH	1.15
Broadcom Corp	BRCM	HOLD	1.63	1.46	0.97	15	28.39	50	25		19.4	5.12			0.4	H	1.62
Cabot Microelectronics Corp	CCMP	HOLD	1.96	1.67	1.32	15	28.83	38	26		17.3	2.42			1.9	MH	1.78
Fairchild Semiconductor Corp	FCS	BUY	1.23	0.98	0.17	16	16.63	22	14	21	17.0	1.37			39.1	M	1.74
Genesis Microchip Inc	GNSS	HOLD	0.47	0.50	0.29	20	10.22	28	10		20.4	1.37				MH	1.49
Himax Technologies Inc	HIMX	BUY	0.58	0.46	0.34	32	5.42	9	5	12	11.8			14.1	MH		
Intel Corp	INTC	BUY	1.27	0.93	1.40	10	18.67	29	17	23	20.1	2.83	0.40	2.1	6.3	H	1.27
KLA Tencor Corp	KLAC	SELL	2.66	1.82	2.32	15	42.56	55	39		23.4	4.28	0.48	1.1		MH	1.33
LSI Logic Corp	LSI	HOLD	0.60	0.54	0.42	20	8.77	12	8		16.2	1.79			27.7	M	1.21
Mattson Technology Inc	MTSN	BUY	0.81	0.62	0.26	19	9.04	14	7	12	14.6	2.22				M	1.96
ON Semiconductor Corp	ONNN	BUY	0.70	0.58	0.21	25	6.20	8	4	9	10.7	1.23			134.8	M	1.99
PortalPlayer Inc	PLAY	HOLD	2.23	1.88	1.65	14	10.00	33	10		5.3	0.98				MH	
Power Integrations Inc	POWI	HOLD	1.01	0.66	0.68	18	16.25	28	15	30	24.6	3.33				MH	1.58
Spanion Inc	SPSN	HOLD	0.05	-0.84	-4.15	20	14.53	19	12		-17.3	0.65			28.3	ML	
Texas Instruments Inc	TXN	BUY	1.86	1.65	1.39	13	29.63	36	27	43	18.0	3.36	0.12	0.4	5.3	H	1.48
Ultra Clean Holdings Inc	UCTT	HOLD	0.69	0.57	0.12	24	8.50	10	5		14.9	0.95			4.8	M	0.98
Vimicro International Corp	VIMC	HOLD	0.70	0.63	0.54	10	9.95	23	8		15.8					M	
Wind River Systems Inc	WIND	HOLD	0.33	0.29	0.14	14	8.25	18	8		28.4	2.63			12.2	M	1.92
<b>Software</b>																	
Activision Inc	ATVI	HOLD	0.15	0.08		25	10.72	18	10		134.0	2.03				M	1.60
Adobe Systems Inc	ADBE	BUY	1.42	1.21	1.19	13	29.55	41	26	45	24.4	7.73				MH	1.20
ALTIRIS INC	ATRS	BUY	0.88	0.74	0.52	15	18.16	22	13	25	24.5	2.66			1.4	M	0.86
Ariba Inc	ARBA	HOLD	0.43	0.44	0.26	14	7.85	11	6		17.8	1.92				ML	1.76
AutoDesk Inc	ADSK	BUY	1.48	1.28	0.88	14	30.84	48	30	56	24.1	4.45	0.00	0.0		MH	1.46
BEA Systems Inc	BEAS	HOLD	0.52	0.41	0.36	10	12.08	14	8		29.5	3.81			38.4	MH	1.26
Check Point Software Teches Lt	CHKP	BUY	1.42	1.38	1.27	10	17.78	25	17	27	12.9	7.55				H	1.38
Cogent Inc	COGT	BUY	1.10	0.86	0.69	30	14.89	33	14	32	17.3	9.56				MH	0.96
Digital River Inc	DRIV	BUY	1.96	1.71	1.36	15	40.85	48	24	56	23.9	6.62			39.0	M	1.55
Electronic Arts Inc	ERTS	BUY	0.51	0.96	1.71	18	42.03	63	40	60	43.8	4.36				MH	1.24
i2 Technologies Inc	ITWO	HOLD	1.14	1.00	1.78	10	12.19	25	8		12.2	0.81			335.2	L	0.76
Internet Security Systems Inc	ISSX	BUY	1.13	0.98	0.91	15	18.90	26	17	27	19.3	2.53				MH	1.48
Keynote Systems Inc	KEYN	HOLD	-0.11	-0.18	0.35	5	10.67	15	10		-59.3	3.82			0.0	MH	0.78
Magma Design Automation Inc	LAVA	HOLD	0.25	0.37	0.64	12	6.84	11	7		18.5	1.52			48.1	M	1.71
Mapinfo Corp	MAPS	BUY	0.54	0.48	0.48	15	12.77	15	10	17	26.6	1.71			9.6	M	1.14
Mercury Interactive Corp	MERO	BUY	1.78	1.59	1.52	15	38.55	41	23	45	24.2	4.30			58.1	H	1.69
Microsoft Corp	MSFT	BUY	1.40	1.27	1.34	12	23.10	28	21	32	18.2	5.60	0.36	1.6		H	0.90
MicroStrategy Inc	MSTR	HOLD	5.45	5.01	4.19	17	84.18	110	57		16.8	4.03				M	2.05
Motive Inc	MOTVE	SELL		0.16	-0.37	18	3.08				19.3					ML	
Open Solutions Inc	OPEN	BUY	1.25	1.00	0.85	20	27.50	31	19	30	27.5	2.51			42.4	M	1.38
Oracle Corp	ORCL	BUY	0.93	0.80	0.68	12	14.54	15	12	18	18.2	5.39			28.2	H	0.98
Red Hat Inc	RHAT	BUY	0.47	0.41	0.24	20	21.95	32	14	29	53.5	13.39			54.4	MH	1.14
RightNow Technologies Inc	RNOW	HOLD	0.26	0.16	0.23	35	16.07	21	10		100.4	5.53			0.3	MH	1.50

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
SupportSoft Inc	SPRT	HOLD	0.04	-0.14	\$0.10	8	\$4.10	\$6	\$4		-29.3	3.34				M	1.69
Symantec Corp	SYMC	HOLD	1.04	1.00	0.86	8	14.99	24	15		15.0	3.74			3.6	H	1.14
<b>Storage Devices</b>																	
Brocade Comms Svss In	BBCD	HOLD	0.39	0.35	0.25	15	6.01	7	3		17.2	2.64			35.4	M	1.16
EMC Corp	EMC	HOLD	0.78	0.71	0.53	15	10.50	15	10		14.8	2.49			1.0	H	1.02
Emulex Corp	ELX	BUY	1.05	0.98	0.86	15	15.58	23	15	22	15.9	3.19			32.8	M	1.44
M Svss Flash Disk Pioneers Lt	FLSH	BUY	2.15	1.65	1.30	25	27.09	38	21	38	16.4	1.45			17.9	M	1.26
MCDATA CORP	MCDT	HOLD	0.35	0.25	0.16	15	3.67	6	4		14.7	0.64			34.6	M	1.21
Network Appliance Corp	NTAP	HOLD	1.01	0.81	0.62	18	30.73	39	23		37.9	5.56			13.7	MH	1.31
QLogic Corp	QLGC	BUY	0.84	0.72	0.63	15	16.49	22	14	20	22.9	5.38				MH	1.33
SEAGATE TECHNOLOGY	STX	HOLD	1.68	2.03	1.36	15	22.80	28	14		11.2	1.52	0.32	1.4	22.6	MH	1.54
Western Digital Corp	WDC	BUY	1.85	1.57	1.00	15	19.25	25	11	25	12.3	1.01			7.0	MH	1.52
<b>Technology Electronic</b>																	
Apollo Group Inc	APOL	BUY	2.99	2.59	2.46	10	50.16	79	47	64	19.4	3.54			12.0	MH	0.99
Career Education Corp	CECO	HOLD	2.58	2.29	2.26	8	28.72	43	28		12.5	1.37			1.6	M	0.83
ChoicePoint Inc	CPS	BUY	2.20	1.89	1.75	14	37.19	47	36	48	19.7	3.00			13.2	H	0.76
Corinthian Colleges Inc	COCO	BUY	0.57	0.51	0.63	12	14.02	15	11	19	27.5	1.24			14.0	M	1.49
CRA International Inc	CRAI	BUY	2.64	2.24	2.13	17	44.77	55	40	55	20.0	1.59			30.3	M	0.95
Google Inc	GOOG	BUY	13.11	9.55	5.57	33	424.56	475	273	540	44.5	18.03				H	1.24
Information Handling Svcs In	IHS	HOLD	1.23	1.09	0.75	15	31.20	33	16		28.6				8.1	MH	
ITT Educational Services Inc	ESI	HOLD	3.09	2.69	2.34	16	65.14	66	47		24.2	4.05				MH	0.85
Net 1 Ueps Technologies Inc	UEPS	HOLD	1.26	1.01	0.81	20	22.58	34	18		22.4	5.73				MH	1.21
NeuStar Inc	NSR	BUY	1.21	0.95	0.72	21	28.28	38	26	35	29.8	7.80			5.7	MH	
<b>TELECOMMUNICATIONS</b>																	
<b>Local</b>																	
ALLTEL Corp	AT	BUY	4.09	3.59	3.50	8	64.45	68	58	75	18.0	2.53	1.54	2.4	31.5	MH	0.82
AT&T Corp	T	HOLD	2.37	2.13	1.71	6	27.24	29	22		12.8	2.14	1.33	4.9	35.9	M	0.84
BellSouth Corp	BLS	HOLD	2.31	2.22	2.00	5	35.28	37	24		15.9	3.09	1.16	3.3	42.2	M	0.83
Brasil Telecom SA	BTM	HOLD	-0.43	-0.86	0.88	18	11.28	17	10		-13.1		0.07	0.6		ML	1.28
CenturyTel Inc	CTL	SELL	2.45	2.37	2.58	4	37.35	40	31		15.8	1.74	0.25	0.7	42.3	M	0.87
Iowa TeleComms Svcs In	IWA	HOLD	1.55	1.52	1.46	2	18.89	19	15		12.4	2.56	1.62	8.6	64.9	ML	
Valor Communications Group Inc	VCG	BUY	0.98	0.95	0.93	2	11.63	14	11	15	12.2	1.64	1.44	12.4	67.4	M	
Verizon Communications Inc	VZ	BUY	2.73	2.59	2.56	6	32.69	35	29	39	12.6	1.20	1.62	5.0	37.0	M	0.97
<b>Long Distance</b>																	
Qwest Comms Intl Inc	Q	SELL	0.19	0.10	-0.24	1	7.98	8	4		79.8	1.08			126.2	L	1.47
Sprint Nextel Corp	S	BUY	1.79	1.58	1.47	14	19.75	25	19	30	12.5	1.44	0.10	0.5	33.0	M	0.90
<b>UTILITY</b>																	
<b>Electric Utility</b>																	
AES Corp	AES	BUY	1.30	1.05	0.95	11	19.62	20	15	24	18.7	1.13			84.5	ML	0.97
Allegheny Energy Inc	AYE	BUY	2.20	1.85	0.94	9	38.67	39	26	42	20.9	2.02			70.3	ML	1.02

Security Name	Stock Symbol	12 Month Rating	Earning Per Share			EPS Growth Next 5 yrs (%)	Price				2006 P/E Ratio	Price/Sales Ratio	Dividend		Debt/Total Cap (%)	Financial Strength	Beta
			2007 (Est)	2006 (Est)	2005		Recent	12 Mo. High	12 Mo. Low	12 Mo. Target			Annual Rate	Yield (%)			
Ameren Corp	AEE	BUY	3.80	3.35	\$3.13	6	\$51.01	\$57	\$48	\$60	15.2	1.51	\$2.54	5.0	46.3	MH	0.68
American Electric Power Co Inc	AEP	BUY	2.80	2.70	2.73	4	34.98	41	32	40	13.0	1.13	1.48	4.2	57.2	MH	0.78
Calpine Corp	CPNLQ	HOLD	0.25	-0.80	-0.50	7	0.41	4	0		-0.5	0.02			299.8	L	2.03
CenterPoint Energy Inc	CNP	BUY	1.15	1.05	0.67	4	12.90	15	12	19	12.3	0.38	0.60	4.7	87.3	MH	1.02
CMS Energy Corp	CMS	BUY	1.20	1.05	0.96	6	13.27	17	12	19	12.6	0.45	0.00	0.0	72.3	ML	0.99
Consolidated Edison Inc	ED	BUY	3.15	3.05	3.00	3	45.56	49	41	56	14.9	0.92	2.30	5.0	52.0	H	0.65
Constellation Energy Grp Inc	CEG	BUY	4.80	3.95	3.62	8	55.43	63	50	70	14.0	0.54	1.51	2.7	48.7	MH	0.89
Dominion Resources Inc	D	BUY	5.40	5.05	4.53	6	75.56	87	69	84	15.0	1.44	2.76	3.7	63.6	MH	0.73
DTE Energy Co	DTE	BUY	3.90	3.80	3.27	4	41.67	48	39	49	11.0	0.79	2.06	4.9	59.8	MH	0.79
Duke Energy Corp	DUK	BUY	1.95	1.80	1.73	5	29.43	31	25	36	16.4	2.42	1.24	4.2	48.3	M	0.87
Edison International	EIX	HOLD	2.90	2.80	3.47	8	40.26	49	38		14.4	1.08	1.08	2.7	56.3	ML	0.78
El Paso Electric Co	EE	BUY	1.55	1.30	0.76	5	21.10	22	18	25	16.2	1.23			53.2	M	0.86
Entergy Corp	ETR	BUY	5.50	4.70	4.40	4	73.25	79	67	84	15.6	1.38	2.16	2.9	53.1	MH	0.78
Exelon Corp	EXC	BUY	4.10	3.50	3.09	7	58.14	60	47	71	16.6	2.48	1.60	2.8	60.3	MH	0.82
FirstEnergy Corp	FE	BUY	4.05	3.75	2.98	5	54.16	55	46	60	14.4	1.46	1.80	3.3	53.8	MH	0.73
FPL Group Inc	FPL	HOLD	2.90	2.75	2.58	5	41.64	48	38		15.1	1.30	1.50	3.6	55.5	MH	0.69
ITC Holdings Corp	ITC	BUY	1.25	1.15	1.06	9	27.43	30	23	32	23.9	4.52	1.05	3.8	66.3	M	
Itron Inc	ITRI	HOLD	2.50	2.11	1.84	10	56.29	74	38		26.7	2.41			34.5	M	1.42
MDU Resources Group Inc	MDU	BUY	2.60	2.45	2.29	6	36.16	37	29	41	14.8	1.18	0.76	2.1	38.9	MH	0.91
NiSource Inc	NI	BUY	1.60	1.55	1.38	4	22.69	26	20	24	14.6	0.76	0.92	4.1	56.9	M	0.72
Northeast Utilities	NU	HOLD	1.35	1.20	0.83	3	21.29	22	17		17.7	0.45	0.70	3.3	63.5	M	0.82
NStar	NST	BUY	2.15	2.00	1.83	5	29.08	31	25	35	14.5	0.91	1.21	4.2	65.1	MH	0.77
OGE Energy Corp	OGE	HOLD	1.95	1.90	1.83	3	36.27	36	24		19.1	0.57	1.33	3.7	50.1	MH	0.79
Pepco Holdings Inc	POM	BUY	1.80	1.70	1.52	4	23.75	24	20	28	14.0	0.55	1.04	4.4	60.1	MH	0.90
PG&E Corp	PCG	HOLD	2.70	2.50	2.34	5	39.80	41	35		15.9	1.13	1.32	3.3	58.2	ML	0.79
Pinnacle West Capital Corp	PNW	BUY	3.35	3.10	1.82	5	41.59	47	38	45	13.4	1.34	2.00	4.8	46.8	MH	0.73
PPL Corp	PPL	BUY	2.35	2.25	2.08	5	33.24	34	28	35	14.8	1.98	1.10	3.3	62.0	MH	0.72
Progress Energy Inc	PGN	HOLD	3.15	3.05	3.33	5	43.24	46	40		14.2	1.05	2.42	5.6	57.7	MH	0.78
Public Serv Enterprise Grp In	PEG	HOLD	4.60	3.65	3.65	4	67.64	72	56		18.5	1.33	2.28	3.4	67.9	MH	0.89
Puget Energy Inc	PSD	BUY	1.60	1.50	1.42	5	21.63	24	20	24	14.4	0.93	1.00	4.6	55.6	MH	0.82
Sempra Energy	SRE	BUY	3.80	3.65	3.65	6	45.81	50	41	52	12.6	0.96	1.20	2.6	48.6	MH	1.01
Southern Company	SO	BUY	2.40	2.25	2.14	5	33.06	36	30	41	14.7	1.77	1.55	4.7	57.1	H	0.63
TECO Energy Inc	TE	BUY	1.40	1.25	1.02	5	15.74	19	14	24	12.6	1.04	0.76	4.8	71.2	M	1.00
TXU Corp	TXU	BUY	5.65	5.50	3.33	6	60.48	62	41	68	11.0	2.58	1.65	2.7	96.6	M	1.24
Westar Energy Inc	WR	BUY	1.85	1.80	1.59	4	22.39	25	20	28	12.4	1.23	1.00	4.5	53.6	M	0.78
Wisconsin Energy Corp	WEC	HOLD	2.65	2.55	2.42	4	40.95	42	36		16.1	1.21	0.92	2.2	59.5	M	0.77
WPS Resources Corp	WPS	HOLD	4.05	3.73	4.07	5	49.34	60	47		13.2	0.26	2.26	4.6	45.6	MH	0.87
Xcel Energy Inc	XEL	BUY	1.45	1.35	1.20	5	19.45	20	18	23	14.4	0.78	0.89	4.6	57.6	M	0.71
<b>Gas Distribution</b>																	
AGL Resources Inc	ATG	BUY	2.95	2.70	2.48	7	38.13	39	32	41	14.1	1.04	1.48	3.9	58.2	H	0.95
AMERIGAS PART STK UN	APU	BUY	1.75	1.55	1.71	8	29.85	35	27	32	19.3	0.82	2.32	7.8	72.5	ML	0.62
Atmos Energy Corp	ATO	BUY	2.00	1.85	1.72	6	28.70	30	25	30	15.5	0.37	1.26	4.4	59.3	H	0.84
Dynegy Inc	DYN	HOLD	0.65	0.10	-2.13	6	5.35	6	4		53.5	0.88			62.7	MH	1.33

<u>Security</u> <u>Name</u>	<u>Stock</u> <u>Symbol</u>	<u>12</u> <u>Month</u> <u>Rating</u>	<u>Earning Per Share</u>			<u>EPS</u> <u>Growth</u> <u>Next 5 yrs</u> <u>(%)</u>	<u>Price</u>				<u>2006</u> <u>P/E Ratio</u>	<u>Price/</u> <u>Sales</u> <u>Ratio</u>	<u>Dividend</u>		<u>Debt/</u> <u>Total</u> <u>Cap</u> <u>(%)</u>	<u>Financial</u> <u>Strength</u>	<u>Beta</u>
			<u>2007</u> <u>(Est)</u>	<u>2006</u> <u>(Est)</u>	<u>2005</u>		<u>Recent</u>	<u>12 Mo.</u> <u>High</u>	<u>12 Mo.</u> <u>Low</u>	<u>12 Mo.</u> <u>Target</u>			<u>Annual</u> <u>Rate</u>	<u>Yield</u> <u>(%)</u>			
Energen Corp	EGN	BUY	4.20	3.35	\$2.35	7	\$38.16	\$44	\$32	\$52	11.4	2.23	\$0.40	1.0	48.8	MH	1.20
FERRELLGAS PART STK UN	FGP	BUY	0.80	0.70	-0.41	7	22.24	22	20	23	31.8	0.76	2.00	9.0	74.0	ML	0.45
Inergy L P	NRGY	HOLD	0.70	0.55	0.57	7	26.70	33	25		48.5	0.73	2.16	8.1	45.7	ML	0.50
KeySpan Corp	KSE	SELL	2.50	2.50	2.27	5	40.20	42	33		16.1	0.90	1.86	4.6	50.6	H	0.77
National Fuel Gas Co	NFG	BUY	2.70	2.50	2.23	5	36.70	37	28	42	14.7	1.41	1.16	3.2	47.9	H	0.80
New Jersey Resources Corp	NJR	HOLD	2.95	2.80	2.71	5	47.32	49	41		16.9	0.38	1.44	3.0	53.0	H	0.89
Nicor Inc	GAS	BUY	2.70	2.65	3.07	6	42.62	43	37	44	16.1	0.54	1.86	4.4	58.0	H	0.91
Oneok Inc	OKE	BUY	2.55	2.40	5.06	6	36.24	37	26	35	15.1	0.31	1.12	3.1	66.6	MH	1.00
Peoples Energy Corp	PGL	HOLD	2.55	2.20	2.05	4	39.97	46	34		18.2	0.50	2.18	5.5	53.0	H	0.98
Southwest Gas Corp	SWX	BUY	1.85	1.75	1.14	5	32.28	32	25	31	18.4	0.70	0.82	2.5	65.6	MH	1.04
SUBRBN PROPANE STK UN	SPH	SELL	2.05	2.00	-0.26	3	32.40	37	24		16.2	0.58	2.45	7.6	88.3	L	0.41
TEPPCO STK UN	TPP	BUY	2.00	1.80	1.71	7	35.55	43	33	42	19.8	0.26	2.70	7.6	55.9	ML	0.52
<b>Water</b>																	
Aqua America Inc	WTR	BUY	0.90	0.80	0.71	11	22.71	30	20	28	28.4	5.87	0.43	1.9	56.2	H	1.14



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# KEY TO STATISTICAL TABLES ON STOCKS

## COLUMN EXPLANATIONS

### EARNINGS PER SHARE:

**2003E, 2002E:** Argus estimates of earnings per share.

**2001:** Earnings per share as reported.

**EPS GROWTH RATES:** Argus' estimate of ordinary least squares EPS growth during the 2002-2006 interim; and Argus' actual ordinary least squares EPS growth during the 1997-2001 period.

### PRICE:

**Recent:** Closing price on the reappraisal date.

**12-Mos.:** Range of stock's price during the past 12 mos.

**12-Mo.:** Target: Estimated price performance over the next 12 mos.

**P/E RATIO:** Recent price divided by 2003 estimated earnings.

**PRICE TO SALES RATIO:** Market capitalization divided by trailing 12 month sales.

### DIVIDENDS:

**Annual Rate:** Indicated current annual rate per share.

**Yield:** Indicated current annual rate of dividends per share divided by recent price.

**DEBT TO TOTAL CAP:** Total debt divided by total capitalization.

**RETURN ON EQUITY:** Argus estimate of future return on

average common equity.

**FINANCIAL STRENGTH:** Rating by Argus analysts which compares a company's financial strength with that of the S&P 500, taking into consideration working capital adequacy, interest coverage, and the capitalization ratio. H = High, MH = Medium High, M = Medium, ML = Medium Low, L = Low.

**BETA:** A measure of how much a given stock's price tends to change relative to a change in the price of the S&P 500. Accordingly, a beta of 1.50 indicates that for a 10% rise the S&P 500, the stocks' price will tend to advance 15%, a beta of 0.50 indicates that for the same 10% rise in the 500 index, the stock's price will tend to increase only 5%.

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